DAC Scoping Study of Donor Poverty Reduction Policies and Practices

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Synthesis Report Authors

Text for the Scoping Study was prepared collaboratively by team members from the Overseas Development Institute (ODI) and Associates for International Resources and Development (AIRD). The Scoping Study team was led by Aidan Cox, and Dirck Stryker was lead adviser.

Overseas Development Institute	Associates for International Resources and Development
Aidan Cox	
John Healey	Dirck Stryker
Philip Goodwin	Lynn Salinger
David Booth	Daniel Plunkett
Lucia Hanmer	

Acronyms

ACP	African, Caribbean and Pacific (countries)
CAS	Country Assistance Strategies
CG	Consultative Group
DAC	Development Assistance Committee (of the OECD)
DFID	Department for International Development (UK)
DHS	Demographic and Health Survey
EC	European Commission (manages the European Community Aid Programme)
ESF	Economic Support Fund (of USAID)
EU	European Union
GDP	Gross Domestic Product
HDI	Human Development Index
HDR	Human Development Report
HIPC	Heavily Indebted Poor Countries
IDTs	International Development Targets
IFIs	International Financial Institutions
ILO	International Labour Office
IMF	International Monetary Fund
IRDPs	Integrated Rural Development Programmes
NGO	Non-Governmental Organisation
PA	Poverty Assessments
PR	Poverty Reduction
PRA	Participatory Rural Appraisal
PREM	Poverty Reduction and Economic Management network (of the World Bank)
PSH	Participatory Self-Help
PSI	Poverty Strategies Initiative of the UNDP
PTIs	Poverty Targeted Interventions
ODA	Official Development Assistance/Overseas Development Agency (now DFID)
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Unit of the World Bank
SAF/ESAF	Structural Adjustment Facility/Enhanced Structural Adjustment Facility
SIP	Sector Investment Programme
SMED	Social Market Economy Development
SPA	Special Programme for Africa
SURFs	Sub-Regional Resources Programmes
SWAps	Sector-wide Approaches
UNCTAD	United Nations Conference on Trade and Development
UNDAF	UN Development Assistance Framework
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNGA	United Nations General Assembly
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
WDR	*World Development Report* of the World Bank
WID	Women in Development
WTO	World Trade Organisation

Introduction: Making Aid Work for the Poor

Growing Commitment to Poverty Reduction

The 1990s ushered in a period of heightened commitment to poverty reduction. It began with the World Bank's 1990 *World Development Report*, which signalled the recognition by the world's largest development institution of the importance of a specific focus on the poor, so that the poor are not excluded from the fruits of development. The commitment of *all* development agencies to poverty reduction, however, is most tangibly reflected by their across-the-board support for the International Development Targets. These targets have their origin in targets discussed and approved in the context of UN conferences and summits, and were set out in the OECD DAC's 1996 report *Shaping the 21st Century.* They are both an important signal of common commitment to meeting the needs of the poor and a powerful vehicle for maintaining the momentum in favour of poverty reduction (see Chapter 1, Box 1.1). There is undoubtedly more determination than ever before to ensure that aid makes a difference to the lives of the poor.

Development Cooperation Can and Does Benefit the Poor

This decade has seen agencies increasingly embrace aims with the potential to deliver on this commitment to reduce poverty. Some of these are swift and practical measures geared towards tackling the worst manifestations of poverty. Others have a more strategic orientation, seeking to create an enabling environment for poor people.

There can be no doubt that these aims have been translated into actions which, in many cases, have substantially benefited poor people. Development agencies have worked with partner governments to:

- meet the immediate needs of the poor for food, water and other basic necessities;
- increase the opportunities available for the poor to help themselves; and
- create a pro-poor enabling environment from which the poor stand to benefit.

There have been attempts to ensure that interventions at a macro, meso and micro level have taken into account the needs of the poor. Donor country assistance strategies increasingly seek to focus specifically on addressing poverty, including through sector programmes. In addition, a recent survey of European donors provides strong evidence that development agencies are making increasing efforts to involve partner governments and the poor themselves in designing and implementing approaches to poverty reduction (Cox *et al.*, 1999). This implies rejecting supply-led solutions and instead assessing the nature and causes of poverty and prioritising activities accordingly. The latest generation of projects gives greater attention to the fact that poverty tends to be experienced differently by women and men, and interventions increasingly include gender analysis.

It has been at the micro or project level, however, that interventions have been most explicitly linked by donors to poverty reduction. The various dimensions of poverty have been addressed through a huge range of interventions and activities, including ;

- providing basic education to poor communities, geographically or socially excluded from mainstream education;

- creating access to credit through schemes which do not expect the poor, including women, to be literate or have collateral assets;

- improving sanitation, housing and creating employment in urban slum areas;

- giving the poor access to basic health services, nutrition, and family planning methods, allowing poor people to take control of their own lives;

- enabling poor farmers to increase their productivity and security through agricultural extension services, improved seeds and greater access to markets.

- working with local community associations and national non-governmental organisations to reach the poorest more effectively.

Yet, although many aid interventions have benefited poor people, far too many have not. There is a real opportunity for donor agencies to work more effectively with developing country partners and increase their impact on poverty.

Reaching the Poor More Effectively

Despite the many positive examples of development assistance contributing to poverty reduction, there is a strong perception that donor rhetoric has got ahead of field-level realities. Ad hoc solutions need to be replaced by a **far more *systematic* approach** to reducing poverty. This implies a reappraisal of whether all possible avenues for promoting poverty reduction are being exploited, and whether each agency has the right kind of skills and management structures in place.

This report reveals, for instance, that DAC members could do more to ensure **policy consistency** by ensuring that the full range of their policies on agriculture, trade, and investment are also consistent with the poverty reduction focus espoused by their development ministries. Another underexploited channel concerns more systematic consideration of the needs of the poor when providing macro-level (e.g. budgetary) support, or working at the meso level to achieve health, education or agricultural sector reform. Donors talk about creating a **pro-poor enabling environment**, yet are rather unclear about what this means and entails. Agencies could work far more closely with national and regional governments and with civil society representatives to try to promote a domestic **economic and social policy** environment which improves the opportunities for poor and marginalised people to obtain better livelihoods and increased access to resources, knowledge and rights. It also involves trying to promote a domestic **political and institutional environment** that is more responsive to the needs of the poor and to issues of gender equality. This could involve increasing the accountability of the political system to the needs of the poor, changes in the law to reduce the exclusion of women and particular ethnic groups, and more efficient and accountable public administration at central, regional and local levels. It requires challenging the general bias of development activities towards

majorities which currently has serious adverse effects on minorities. It implies that greater weight is given to 'bottom-up' approaches which enhance understanding of the priority needs and capacities of poor people.

The Role of the DAC Informal Network on Poverty Reduction

The creation of the **DAC Informal Network on Poverty Reduction** in June 1998 is a response to the recognition that development agencies can do more to contribute to poverty reduction. The goal of the Network is to develop, in collaboration with developing country partners, more effective approaches to poverty reduction. The Scoping Study, of which this is the Synthesis Report, represents the first step towards this goal.

The **Scoping Study** involved completing case studies of each DAC member, as well as the World Bank and UNDP, to assess their policies and, to some extent, their practice with respect to poverty reduction. An attempt was made to explore lessons from country-level implementation by interviewing field staff by email, fax and telephone, as well as those at headquarters with country-level responsibility or experience. The case studies were prepared by over twenty consultants who, despite time constraints, drew up detailed reports and discussed findings at a workshop in London in December 1998. A substantial effort was also made to examine a sample of developing country perspectives from across five countries: Bangladesh, Bolivia, Ethiopia, Mali and Vietnam. In-depth interviews with ten governmental and non-governmental actors were conducted by developing country researchers within each of these five countries.

This **Report** draws on the 25 case studies and the survey of developing country perceptions, as well as donor evaluation studies and academic literature. The Report does not seek to provide 'the answers', but to provide a sound basis for the development of a set of guidelines for donor agencies on how best to promote and foster effective, sustainable poverty reduction in developing countries. These Guidelines will be completed by June 2001. The DAC Informal Network on Poverty Reduction, Co-Chaired by Mr Jean-Claude Faure and Mr Peter Grant, is leading this process, which includes consultation at the developing country level.

Broad Structure of the Report: The Report is divided into three Chapters. *Chapter 1* considers the 'big picture' of donor's goals, approaches and perceived roles in poverty reduction. *Chapter 2* examines the record of agencies in trying to mainstream their poverty objectives in their actual work, while *Chapter 3* grapples with actual donor experience at the country level. The *Executive Summary* contains the major points and findings from the first three Chapters.

Executive Summary

Introduction: Making Aid Work for the Poor

Development Cooperation Can and Does Benefit the Poor

Development agencies are undoubtedly more determined than ever before to ensure that development cooperation benefits the poor. The fact that all have signed up to the International Development Goals is the clearest sign of this commitment.

In order to deliver on this enhanced commitment, agencies embrace a range of aims, some aimed at delivering swift, practical benefits and others with a more strategic orientation. There is strong evidence from a recent survey of European donors that development agencies are increasingly seeking to involve partner governments and the poor themselves in translating these aims into real benefits. Participatory approaches and gender analysis are more widespread.

A range of dimensions of poverty is being tackled by means of support for basic services, pro-poor credit schemes, agricultural extension services and the empowerment of local communities. Yet, there is a very **real opportunity** for agencies to work more closely with developing country partners to ensure that far more of their interventions **systematically benefit the poor**.

Reaching the poor more effectively: Development agencies could, for example, do more to promote policy consistency between their policies on agriculture, trade and investment and their poverty reduction goal. Equally, impact could be increased through efforts to clarify what is meant by creating a 'pro-poor' enabling environment and how donors and partners can operationalise it.

The Role of the DAC Informal Network on Poverty Reduction

Development agencies have recognised this opportunity to strengthen policy and practice on poverty reduction. The DAC Network is building upon the findings of the Scoping Study to draw up DAC Guidelines on Poverty Reduction, due to be completed at the end of 2000. The Guidelines, prepared following country level consultations, are intended to assist agencies in enhancing the effectiveness of their cooperation programmes.

1. Donors' Poverty Reduction Goals, Conceptions, Approaches and Roles

Chapter 1 considers whether development agencies seek to place poverty reduction at the heart of their approach. It assesses whether donor commitment to poverty reduction is matched by a coherent conceptualisation of poverty and set of strategies for its reduction. Finally, it examines whether development agencies pursue a pro-poor influencing agenda that goes beyond their bilateral programmes.

1.1 Donor Goals, Aims, Objectives and Commitment to Poverty Reduction

The vast majority of development agencies set out their **formal commitment** to poverty reduction by identifying it as their overarching goal or as one of their two or three overarching goals (see Table 1). By clarifying the priority attached to poverty reduction objectives relative to others, this kind of explicit commitment can help strengthen incentives to prioritise, and assist the mainstreaming of, poverty reduction. Nonetheless, in some senses all agencies can be seen as having an implicit commitment to poverty reduction, as all have subscribed to the International Development Targets.

In addition to identifying poverty reduction as an overarching goal, a minority of agencies go on to articulate the **potential linkages** between their operational objectives and benefits for poor people. This process should lead naturally to a consideration of how these linkages can be strengthened, and whether complementary actions are required to ensure that the poor share in the benefits of an intervention. There are, nonetheless, considerable similarities in the objectives of donors, irrespective of whether they have poverty as a formal goal and articulate poverty linkages. All donors support interventions that aim directly and predominantly at focusing on the needs of the poor, actions which benefit the poor indirectly, and structural measures underpinning growth which create an enabling environment for poverty reduction. However, developing country stakeholders, academics and practitioners often contest the legitimacy of attempts to equate relatively broad objectives with concrete benefits to poor people.

Table 1
Formal Commitment to Poverty Reduction (PR)

PR is Sole Overarching Goal	*PR is one of two (or three/four) Overarching Goals*	*PR is not an Overarching Goal*
Australia, Canada, Denmark, Ireland, Luxembourg, Netherlands, Norway, Spain, Sweden, UK, UNDP, World Bank	Austria, Belgium, EC, Finland, Germany, Italy, Japan, New Zealand Switzerland	France, IMF, Portugal, USA

1.2 Conceptual Framework for Poverty

The way in which agencies conceptualise poverty can assist them in developing poverty reduction strategies and ensuring their successful implementation. This conceptual framework involves defining the nature of poverty, its causes and how the poor can best be identified and targeted for assistance. All agencies now embrace a multi-dimensional definition of poverty, though the weight they attach to different dimensions varies. In contrast to the early 1990s, the majority of donors consider the right to individual dignity, autonomy and social inclusion to be important dimensions of poverty. Similarly, far more agencies than in the past demonstrate an awareness of the *dynamics of poverty*, that poverty is often not a permanent state and that people move in and out of poverty, often as a result of seasonal or random shocks.

However, there is some confusion within agencies concerning the **causes and effects** of poverty. In part, this is due to the complexity of the phenomenon but it also results from a lack of conceptual clarity. This might be redressed by a greater focus on the processes of poverty, whereby cause and effect are examined simultaneously. Very few agencies explicitly address the different levels at which causes of poverty may be found and the connections between those levels. Making such links may be important in order to clarify the agencies' underlying understanding of social processes and also to help anchor activities in concrete contexts. Finally, whilst many donor agencies can give a long list of very different and, on the face of it, equally important causes of poverty, there is little discussion amongst donors of their relative importance and the linkages between them.

The donor case studies highlight the fact that **identification and targeting of the poor** by donors is often broad-brush with a tendency to treat target populations as homogeneous socio-economic groupings. Thus, for example, a number of agencies associate the poor with the agricultural sector and, as a result, assume that working with agricultural smallholders is poverty-focused, without recognising that smallholders are often a highly heterogeneous group. A similar tendency often applies to gender and poverty issues. Some agencies equate the two, failing to recognise that not all the poor are women and not all women are poor.

Whilst a number of agencies identify vulnerability as a dimension of poverty, very few seem to explore this issue in any depth in relation to targeting for poverty reduction. However, agencies need to focus on both entries to and exits from poverty if they are to decrease the overall numbers of the poor. This requires a much **broader understanding of poverty processes** and an ability to identify not just the currently poor but those groups that may be vulnerable to becoming poor. Overall, to convey a real sense of the multi-dimensional and interlocking constraints which the poor experience and which poverty-reducing efforts have to confront, a more comprehensive social analysis is required which allows agencies to develop a greater understanding of poverty and gender dynamics and to better identify the poor and vulnerable.

Operationalising multi-dimensional approaches: although agencies have clearly improved and broadened their understanding of poverty in recent years, many are still grappling with translating this into effective actions on the ground. Agencies recognise the potential value of a multi-dimensional definition in directing attention to the wider issues of social exclusion, whereas narrower income/consumption definitions may result in the underlying socio-political causes of poverty being neglected. However, in practice multi-dimensional definitions sometimes generate little more than a taxonomy of characteristics of poverty, and their very breadth leads to difficulty in separating the poor from the non-poor at the operational level. Some agencies seek to resolve this by retaining a multi-dimensional understanding of the causes of poverty, but adopting a narrower definition for operational purposes. An example is Germany, which states:

> People are poor if they do not have the minimum monetary or non-monetary income necessary to meet their food requirements and satisfy other basic needs. [But…] The social, economic, cultural, political and ecological causes of poverty are inextricably interlinked.

Although not all agencies have an entirely rigorous multi-dimensional conceptualisation of poverty, the priority concern is how existing multi-dimensional approaches can be more effectively operationalised. A few agencies are already grappling with this, such as Sweden, which is currently developing operationally-relevant guidelines.

1.3   Agency Strategies for Poverty Reduction

The broadening of agencies' conceptualisations of poverty is reflected in their strategies for its solution. None has a single, underlying strategy, but rather agencies adopt a **'mix and match'** approach which aims to prioritise different strategies according to the country context. These usually combine a range of economic, social, political and safety-net aspects.

All agencies see **economic growth** as important for poverty reduction, but most attach the condition that growth should be 'pro-poor' or broad-based. However, there is much uncertainty as to what 'pro-poor' growth is and what its implications are for actual donor interventions. Given the centrality of growth strategies for poverty reduction, clarifying how 'pro-poor' growth can be operationalised would appear to be a priority. A further gap relates to the relationship between distribution and growth, which is glossed over by many agencies. Although some support the redistribution of human capital or of future income, few take a clear position on the role agencies might play in the redistribution of natural assets such as land.

Gender analysis of economic growth and processes of accumulation should be linked to agencies' poverty reduction strategies. Gender relations influence the growth process through their impact on macro aggregates, meso institutions and the actions of economic agents at the individual and household levels. Addressing gender problems can thus have a strategic and indirect effect on poverty but it is *not necessarily* identical to addressing poverty. Some agencies have made some progress in developing a gender-focused analysis for micro-level interventions, but at the meso and macro levels greater efforts need to be made to draw out gender-policy linkages and to address their implications for poverty reduction interventions.

Social sector investment, particularly investment in basic social services, features in all agencies' poverty reduction strategies. Several agencies see having a strong gender component to their social sector work as a key to the success of poverty reduction strategies. Attention to redistributive aspects needs to go beyond efforts to address gender inequalities, however, to include a broader analysis of socio-economic inequalities. Virtually all agencies identify social sector investment as both promoting development of human capital development (and as a result, productivity and economic growth) and having intrinsic value. Social sector investment strategies sometimes fall into the trap of assuming that the same approach will be universally suitable in countries where 'everyone' is poor. However, even in 'mass poverty' countries important socio-economic differences exist which may limit the extent to which the poorest benefit from a 'one size fits all' approach.

Political strategies have become far more influential over the course of the 1990s, as agencies have come to see increased participation of the poor as essential to ensure that policies are pro-poor. The origins of this political agenda in part reflect the adoption by development agencies of the empowerment and participation agenda developed by international NGOs in the 1980s. Yet few agencies are clear on whose participation is being sought and what kinds of participation are most likely to benefit the poor, whose views may otherwise easily be drowned out.

There is also a growing interest amongst donors in issues of *governance and human rights*. However, there has been a failure, until very recently, to think through the linkages between improved governance and poverty reduction and the links between governance at different levels of aggregation – macro, meso, micro. This creates clear limitations on the coherence and cost-effectiveness of agencies' poverty reduction efforts in this area. Agencies tend to assume that more democratic, pluralist politics and more accountable government will favour the poor. While they may be one condition for this, there is no systematic evidence that the voice of the very poor is necessarily greatly strengthened under more democratic conditions. Secondly, agencies need to identify more precisely what types of civic society and political institutional developments they can support and which are likely to give more voice to the poor – directly or indirectly – and which will make government more responsive to their needs. Paralleling the easy equation drawn between governance, democracy and power to the poor majority, is the assumption that *decentralisation strategies* will bring decision-making closer to the poor. Such linkages deserve far closer scrutiny if political strategies are to bring concrete benefits to the poor. Similarly, growing rhetoric on a *rights-based approach* to poverty reduction requires closer examination if it is to provide an effective framework for operations.

Safety-net strategies to reduce poverty are less prominent in agencies' approaches to poverty reduction. For some, safety nets are seen as a short-term measure particularly associated with mitigating the immediate adverse effects of structural adjustment, whereas others see them as part of the underlying fabric of society. Although traditional or indigenous social safety-net systems are often the most important safety-net systems for the poorest people, donors appear to have attempted little analysis of what they can do to strengthen or

preserve existing structures and practices. Indeed, some donor practices may be worsening the poverty situation by undermining such systems. A few agencies, however, are developing ideas in this area, looking particularly at supporting and developing local institutions and social processes in order to reduce vulnerability. There appears to be a strong case for reassessing the role of safety-net approaches as part of a poverty reduction strategy, and identifying more clearly the role which external agencies can usefully play. A number of agencies strongly support strategies to promote *food security* as part of their overall approach to poverty reduction. Currently, opportunities are being missed to exploit the potential synergies between food security and poverty reduction strategies.

1.4   Agency Perception of their Roles in Poverty Reduction

Development agencies increasingly recognise that maximising their impact on poverty requires them to go beyond their traditional role of providers of bilateral project aid. This has led some to adopt various types of 'influencing agenda' designed to promote poverty reduction indirectly through their partnerships with multilateral agencies and in their own dialogue with developing country partners. More significant still is the weight given by many to promoting domestic and international policy coherence with the goal of poverty reduction.

The increase in the share of development cooperation channelled through **multilateral agencies** has been accompanied by an appreciation of their potential as powerful agents for promoting pro-poor change. Some agencies, such as the Finnish, Swiss and the UK, consider that one of the main purposes of their bilateral programmes is to strengthen their understanding of the poverty context and thus their dialogue on poverty with multilateral and developing country partners. However, the institutional separation of responsibility for bilateral and multilateral channels within DAC member governments or the divorce between policy and operational staff, has limited the ability of some agencies to pursue a pro-poor influencing agenda.

A further mechanism for increasing the impact of development cooperation involves channelling resources through **international or southern NGOs**. This is based on the belief that NGOs are better able to reach the poor because they have a better understanding of the local context of poverty. Although it is undoubtedly the case that NGOs have particular advantages over official donors and governments, their effectiveness as instruments to benefit the poor deserves closer scrutiny. There are strong arguments for channelling more resources through southern NGOs, subject to adequate monitoring, where the support in itself may be regarded as directly contributing to poverty reduction by promoting grass-roots empowerment and local ownership.

The DAC's *Shaping the 21st Century* document reflects renewed concern about the importance of ensuring the **coherence** of industrialised country policies with the goal of poverty reduction. This originates out of a growing understanding of how agricultural, trade, investment and other policies of OECD countries can limit the scope for developing countries to capitalise on the opportunities afforded by globalisation and increase the risks associated with increasing international economic integration. Yet despite some positive steps taken at the OECD level, only a small minority of agencies and their governments have taken concrete steps to ensure that their domestic policies and their positions on international policies are consistent with poverty reduction. This largely stems from the domestic political weakness of development cooperation agencies, which limits their scope to lobby other domestic ministries. Similar efforts to achieve policy coherence are also required at the developing country level, where inconsistencies threaten to undermine pro-poor developmental processes.

2. Mainstreaming Poverty Reduction

Ensuring that the poor benefit from development cooperation means that the growing commitment of agencies to poverty reduction revealed in Chapter 1 must be matched by effective, poverty-oriented management systems. If agencies are to maximise their impact on poverty reduction, then their poverty reduction objectives must be taken into account in all agency activities and at all organisational levels. In other words, poverty reduction goals and strategies must be mainstreamed throughout the agency if they are to translate into concrete benefits for poor people. Effective mainstreaming requires that development agencies take actions in three spheres (see Figure 2.1):

- agency policies, procedures and organisational culture
- agency country assistance strategies (CAS) and interventions
- country-level dialogue to effect changes in developing country institutions, policies and socio-cultural environments

Figure 2.1
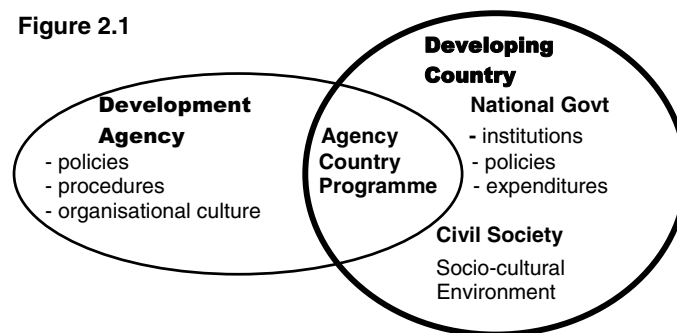
The extent to which agencies succeed in mainstreaming poverty within their country programmes and through dialogue at the country level is considered in Chapter 3. Chapter 2 assesses the record of development agencies in mainstreaming poverty reduction in their overall management system. Although there is no single 'right way' to mainstream poverty, the case studies reveal four factors which contribute to effective mainstreaming:

- do agency incentives reward poverty reduction?
- is the agency organised for poverty reduction?
- has the agency successfully mainstreamed gender dimensions?
- does the agency have poverty-oriented monitoring and evaluation systems?

Agency Incentives (Section 2.2): despite the prominence most agencies give to poverty reduction goals, their incentive systems are not particularly geared towards rewarding their staff's poverty reduction efforts.

The most positive finding relates to *senior management commitment*. Senior management have an important role in creating a 'culture conducive to poverty reduction by sending strong and consistent top-down messages underscoring the importance of poverty reduction. In just over half of all agencies, staff perceive senior management to be strongly committed to poverty reduction, and moderately committed in a further 25 per cent (see Figure 1). Senior management are generally perceived as giving stronger messages on poverty reduction in those agencies with an explicit poverty reduction goal.

While senior management are seen as supportive of poverty reduction goals in over three-quarters of all the case studies, there are in all agencies a range of **counter-incentives** to focusing on poverty. In particular, the premium placed by management on achieving a rapid *disbursement of aid funds* is often a disincentive to going the 'extra mile' on poverty reduction – particularly since poverty reduction measures may require a participatory phase and are often seen as complex and risky. A further counter-

Figure 1: Perceived Senior Management Commitment (number of Agencies)

Strong (13)

Weak (5)

Moderate (7)

incentive is the *faddishness* with which agencies tend to adopt new objectives. When new objectives, such as rights-based approaches or children's needs, are 'bolted on' without clearly specifying their priority relative to existing objectives, the risk is that poverty reduction may be 'squeezed out'.

There are opportunities for agencies to turn otherwise **neutral incentives** into positive ones which actively support the mainstreaming of poverty reduction. One major example relates to the use of external *consultants*, on which many agencies rely extensively for the implementation of their programme. Currently, terms of reference for consultants rarely include a specific focus on poverty reduction. Similarly, if agencies supply poverty reduction training to consultants it would, at a minimum, emphasise the priority accorded by the agency to poverty reduction, and at best provide tools to operationalise it. In a number of agencies, where *diplomatic personnel* play a major role, the reward and appraisal systems, including with respect to promotion, are particularly unlikely to be closely related to success in reaching the poor. There is also scope for giving clearer signals to staff to promote an influencing agenda on poverty in their partnerships with *multilateral agencies*. Denmark, Norway, Sweden and, recently, the UK are partial exceptions, but it is clear that there are real opportunities for more agencies systematically to promote a greater focus on poverty reduction in their partnerships with multilaterals.

The evidence indicates that despite senior management commitment to poverty reduction, the *overall incentive structure within agencies is not specifically designed to encourage staff to make poverty reduction their overriding priority* in practice. The management culture of most agencies tends to be *'permissive'*, leaving considerable discretion to individual country directors and departmental heads as to how far they focus on poverty reduction.

Organisational structure (Section 2.3): while sending clear signals that prioritising poverty reduction is important, effective mainstreaming also demands that the organisational structure of the agency facilitates the efforts of staff to promote its achievement. Basic elements of good practice which can be divined from the case studies relate to:

- guidance
- skills
- multi-dimensional/cross-sectoral approaches
- training
- decentralisation

The lack of operationally-relevant guidance for poverty reduction is a major shortcoming of the great majority of development agencies, with far less available than for many other objectives, such as the environment. There are a few exceptions, such as Germany and the World Bank, whose experience in the provision of guidelines might be drawn upon by other agencies (see Table 1).

The absence of guidance contributes to the view apparent from some donor case studies, that while officials recognise the broad political consensus prioritising poverty reduction nevertheless:

Table 1 Specific Guidance on Poverty Reduction

Operational Guidance	*General (awareness-raising) Guidance*	*None*
Denmark, Germany (BMZ),Sweden, UNDP, World Bank	Australia, Canada, EC DG VIII, Finland*, IMF, Ireland*, Japan, Netherlands, Switzerland*, UK*, USAID	Austria*, Belgium*, EC DG IB, France, Italy, Norway*, Portugal*, Spain

* Agencies planning to introduce operational guidance

> neither 'poverty' nor 'poverty reduction' are very operational concepts… poverty reduction still appears to be too unclear, too complex and too noble to be easily translated into tangible activities. (Finnish case study)

Effective mainstreaming is also constrained by the *virtual absence of training* for agency staff on poverty reduction (see Table 2). Only eight agencies provide any training whatsoever, and even among these some staff who could benefit from training are not covered. There is a major opportunity for agencies to provide staff (and consultants) with practical skills and tools to tackle poverty in carrying out their particular work tasks.

The effectiveness of poverty units varies widely: within the European Commission it works rather better in DG VIII, which has a senior social development adviser backed by a directorate, than in DG IB, where a single junior official covers the Asia, Latin America and Mediterranean programmes. Germany has been successful in mainstreaming poverty through a combined gender and poverty unit, while the UK has a hybrid approach.

Table 2   Training in Poverty Reduction

Operationally Relevant	*General Orientation*	*None*
EC (DG VIII) Germany (BMZ) Sweden, UK, UNDP, World Bank	Japan* Switzerland	Australia, Belgium, Canada*, Denmark, EC (DG IB), France, Finland, IMF, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, USA

* Agencies planning to introduce operationally relevant training

Agencies could also increase their mainstreaming capacity by *reappraising their skills base* in the light of the increased weight they have given to poverty reduction in the 1990s. There is little evidence of a fundamental reappraisal to assess whether agencies have the right balance and level of skills in view of the continual evolution of approaches to poverty reduction. Agencies increasingly favour sector-wide approaches, yet few have much experience or the relevant skills, notably in institution-building and governance. Widespread weaknesses include a lack of economists with a background in micro-level analysis who might usefully interact with social development advisers and with macroeconomists to ensure a pro-poor bias to sectoral and budgetary support. Other weaknesses include a lack of macro-level social development expertise and experts in basic education and health. Eleven agencies suffer from a general lack of specialists, often because of a reliance on diplomats to implement policy at the country level. The European Commission, Ireland, Norway and the Netherlands, among others, suffer from general understaffing or high turnover of staff, or both. Surprisingly, the pool of skills available may also not remain consistent with older priorities. The USA, despite its strong commitment to agriculture and economic growth as routes to poverty reduction, has disproportionately cut specialists in these areas.

Greater efforts are also needed to ensure that management structures encourage experts to work together in a *cross-sectoral and multi-disciplinary* fashion. Many officials express concern that present agency structures and cultures create pressures for sector-driven and supply-led approaches, under which country programmes include sectoral interventions to satisfy internal interest groups rather than in response to a careful analysis of country-level poverty reduction priorities.

An additional organisational factor with implications for mainstreaming is the degree to which agency staff and decision-making are *decentralised* from agency headquarters to the developing country level. Although only six agencies can currently be considered highly decentralised, on balance officials considered that the advantages of decentralisation outweigh the disadvantages. Empowered country-level staff are seen as better placed to develop effective pro-poor partnerships and to build up the trust needed for successful sector-wide approaches.

Mainstreaming Gender (Section 2.4): gender mainstreaming, which predates attempts by agencies to mainstream poverty reduction, provides a source of expertise on mainstreaming strategies. It confirms the importance of moving beyond separate projects, or 'tacking on' components, for poor people, and instead taking poverty reduction into account in all agency activities and dialogue. It also emphasises that increasing participation by the poor is insufficient; the *terms* of their participation must also be made more equal. In addition, the experience of gender mainstreaming provides practical lessons with respect to agency organisational structures. The importance of a structure which combines focal units with the requirement to integrate poverty concerns into all departments and operations has already been highlighted. The need to strengthen links between mainstreaming actions at headquarters and in the field is a further lesson, since progress in mainstreaming at the field level does not always match success at headquarters.

Finally, gender mainstreaming and the effective use of gender analysis is likely to be *integral to successful poverty mainstreaming*. The donor case studies indicate that although institutional cultures are slow to change, agencies have made considerable progress in mainstreaming gender. The vast majority of agencies have organisational structures that, to some degree, are geared towards gender mainstreaming (see Table 3).

Table 3 Gender Training

Substantial	*Some*	*None*
Australia, Austria, EC (DG VIII & IB), New Zealand, Sweden, Switzerland, UNDP, World Bank	Belgium, Canada, Denmark, Finland, Germany, Ireland, Japan, Netherlands, Norway, Spain*, UK, USA	IMF, Italy, Portugal

* Agencies planning to expand gender training

Monitoring systems (Section 2.5): poverty reduction mainstreaming requires monitoring systems which provide *accountability* against poverty objectives and effective *lesson-learning and feedback*. A minority of agencies use *marker systems* to record agency intentions with respect to poverty reduction, although the DAC is already seeking to promote more widespread use of markers and greater harmonisation (see Table 4). Marker systems have tended to focus on interventions providing direct assistance to poor people, reducing the incentive to examine the poverty linkages of *all* interventions and mark them accordingly. Some agencies are making progress in recognising the value of actions which create an enabling environment for poverty reduction.

Table 4 Marker Systems for Poverty Reduction

Marker System Operating	*No Marker System*
Canada, Japan (OECF), Germany, Netherlands, Portugal, Sweden, Switzerland, UK, World Bank	Australia, Austria*, Belgium, Denmark, EC, Finland, France, IMF, Ireland*, Italy, Japan (JICA), Luxembourg, New Zealand, Norway, Spain, UNDP, USA.

* Agencies introducing or planning marker systems

The contribution of monitoring systems towards accountability and lesson-learning is currently seriously constrained by their widespread failure to provide evidence on how the *poor in particular* have benefited from outputs or impact. The lack of baseline surveys and rigorous evaluation methodologies has prevented disaggregation of benefits by socio-economic group. Initiatives are under way in the EC, the UK, UNDP, the World Bank and the DAC Working Party on Aid Evaluation, for instance, to improve methods for assessing

impact on the poor, and the DAC Informal Network on Poverty Reduction may have a role in disseminating the findings. It will be important to ensure that more rigorous impact assessment is cost-effective, sustainable and involves developing country partners.

Holding country programme managers accountable for their performance against the poverty reduction objectives of their CAS would strengthen mainstreaming. Currently, this occurs only very rarely, and country level indicators are poorly specified and rarely collected. Furthermore, senior managers are not held accountable against them. There is also considerable scope for strengthening systems for monitoring the poverty reduction impact of *sector-wide approaches*, in order that their effectiveness as an instrument can be assessed in future. Both of these areas are likely to intersect with efforts by donors and their partners to assess country-level performance against the IDTs. Some agencies, such as Germany, are actively engaged in *building partner monitoring capacity*, but considerably more could be achieved.

Feedback and Learning: even where agencies have sophisticated monitoring and evaluation systems, dissemination of information and the incorporation of knowledge gained often appear to be weak. Although researchers and practitioners have repeatedly noted the failure of evaluation output to influence policy and design, renewed efforts are required if poverty reduction lessons are to be mainstreamed more effectively. A number of agencies, such as Canada, Denmark, Germany, and the USA, have relatively sophisticated systems for learning lessons and disseminating them, though these are not specifically focused on poverty reduction. Equally, informal systems of learning are also often highly significant instruments for the mainstreaming of poverty reduction lessons (e.g. Canada, Denmark and Switzerland).

Overall, the picture which emerges shows that many development agencies have indeed made serious efforts to improve the operationalisation of their poverty reduction goals in the 1990s. However, even among the best, there is significant room for improvement. Some agencies have made very little progress in translating their poverty rhetoric into effective poverty-oriented management systems. It is clear that the DAC Informal Network on Poverty Reduction could play a major role in assisting the efforts of all agencies in this area.

3.   Poverty Reduction at the Country Level

In the final analysis, it is donor success in contributing to reducing poverty within a country that counts. Chapter 3 assesses whether donor operations at the country level are 'geared up' to establishing productive partnerships and effective programmes for poverty reduction. It considers whether donor country assistance strategies (CAS) are focused on poverty reduction, if donor partnerships and coordination are poverty-oriented, how agencies prioritise their activities, and what evidence there is to indicate what works in poverty reduction interventions.

3.1   Mainstreaming Poverty Reduction for Country Operations

For the vast majority of agencies, CAS are the main vehicle for translating poverty reduction goals into effective actions on the ground. However, the **content of CAS and the process by which they are prepared reveals serious shortcomings** in many cases.

Table 5   Is Poverty Reduction Required in CAS?

Yes	*Some*	*No*
Australia, EC (DG VIII), Germany, Ireland, Luxembourg, Netherlands, Sweden, UK, UNDP, World Bank	Canada, Denmark, Finland, Japan, Switzerland.	Austria, Belgium, EC (DG IB), France, IMF, Italy, New Zealand, Norway, Portugal, Spain, USA

The first is that, of 26 agencies,[1] only 10 unambiguously require country programme managers to focus on poverty reduction strategies in their CAS (see Table 5). Very often **inclusion of poverty strategies and objectives is left to the discretion of individual managers** (Section 3.1). This is reflected in *weaknesses or the absence of senior management systems for screening* the poverty **content** of CAS. Ten agencies do have some kind of screening mechanism, but often senior sector expertise is not involved sufficiently or early enough to ensure that a multi-disciplinary and cross-sectoral approach is taken. More widespread rigorous scrutiny of the genuine poverty content, whereby weak CAS are rejected, would help to create incentives for staff to prioritise poverty reduction.

Secondly, part of the value of CAS lies in the **process** by which they are developed as well as the content. Dialogue with developing country governments and civil society can contribute to bolstering pro-poor policy reform and a more open discussion of public expenditure priorities. The donor case studies reveal examples of **participation by partner governments** (e.g. DG VIII, Germany, IMF, Japan, Norway, Sweden, Switzerland, UK, UNDP, USA, World Bank), and commitment to increase this (Section 3.1.2). Nonetheless, efforts to involve partner governments substantially in the process of developing donor strategies remains patchy, and attempts to go wider and involve other stakeholders (e.g. trade unions, NGOs, private sector) have been very rare. Only Sweden, the World Bank and (since 1998) the UK have made reasonably systematic efforts (see Table 6) It is essential, however, that attempts by donors to increase government and civil society participation are managed on a collective basis to avoid overburdening partners. Where possible this should be centred on *national poverty reduction strategies* developed by partner governments in conjunction with civil society representatives. Some agencies have begun to support this, but more could be done.

Table 6   Participation in the CAS Process

Yes	*Some*	*No*
Participation by Government:		
Australia, EC DG VIII, IMF, Japan, Norway, Sweden, Switzerland, UK, UNDP, USA, World Bank	Austria, Canada, Finland, Ireland, Italy, Luxembourg, New Zealand, Portugal	Belgium, Denmark, Netherlands, Spain, Germany
Participation by Civil Society Partners:		
Sweden, UK, UNDP, World Bank	Austria, Canada, Finland, IMF, Ireland, Japan, New Zealand, Norway, Switzerland, USA	Denmark, Germany, Italy, Netherlands, Portugal, Spain

Thirdly, the effectiveness of poverty reduction strategies contained in donor CAS depends in part on the **quality of the poverty data and analysis** (Section 3.1.3). Far more CAS include references to poverty data than in the past, and only a minority of agencies make no systematic use of poverty assessment data. However, often the *use made of poverty data is superficial*, in part because poverty assessments have in the past been over-descriptive with insufficient attention to possible policy prescriptions. This partly reflects insufficient effort to articulate the linkages between the nature and extent of poverty and the strategies and interventions set out by the donor. Poverty data do not appear to be fundamentally shaping the approach of many CAS, and the extent to which the data are feeding into inter- and intra-

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[1] DG VIII and DG IB of the European Commission are considered separately making a total of 26 agencies.

sectoral priority setting is unclear. Too often strategies continue to provide *ex-post rationalisations of existing practice, rather than fundamentally reappraising priorities* in the light of a systematic assessment of the needs of the poor and the causes of their poverty. Sometimes country programmes are informed by gender analysis, but this tends not to consider poverty-gender inequality linkages. A number of agencies are increasingly to build up partner capacity to undertake high quality poverty assessments rather than seeking to improve the quality of their own data and analysis.

Preparing a carefully crafted CAS, developed in a participatory fashion and based on good poverty analysis, is an important first step for agencies seeking to maximise their impact on poverty. However, it amounts to no more than window-dressing unless the **CAS results in a programme of dialogue and interventions that result in practical benefits** being delivered to poor people (Section 3.1.4). This point is highlighted by the World Bank's Africa Task Force which concludes that while many CAS appear poverty-focused, the Bank's activities on the ground are far less so. Evidence from a study of European agencies suggests that many agencies need to pay particular attention to ensuring that poverty strategies give rise to effective poverty reduction interventions.

Finally, CAS could become more effective instruments for mainstreaming poverty reduction at the country level if more attention were given to **monitoring how far the poverty reduction objectives set out in the CAS are in fact achieved**. No agency appears to have a comprehensive system for holding country programme managers accountable for performance against CAS poverty objectives. Although many agencies use logical frameworks as part of the CAS documents, performance indicators are often vague, there is no indication of who is responsible for collecting these indicators, nor is there a senior management committee to scrutinise them.

Overall, it is clear that there are a number of **positive trends** which suggest that CAS are becoming more effective instruments for translating poverty goals into real benefits for the poor. CAS tend to be more informed by dialogue with developing country partners than ever before and make more use of poverty data and analysis. However, there is a **huge gap between best-practice examples and average or bad practice**. Despite improvements in the content and process of CAS, actual portfolios of donor interventions lag behind in their poverty focus.

3.2   Partnership and Coordination at the Country Level

The development community increasingly stresses that solutions to poverty must be found through effective partnerships with developing country actors, characterised by a higher quality and more equal relationship and enhanced coordination. However, there is **no consensus on what partnership solutions imply**.

For some, partnership is centred on the development of a **closer and more reciprocal relationship with selected *governments*** – those which share a common commitment to poverty reduction (e.g. Denmark, Finland, the Netherlands, Norway, Sweden, the UK and possibly Ireland). This approach leads on to interest in more flexible, less 'hands-on' forms of financing such as budgetary support and sector-wide approaches, and to ensuring that the national government is 'placed in the driver's seat' with respect to aid coordination. A recent DAC review of development cooperation in Mali appears consistent with this interpretation of partnership, recommending the 'progressive adoption of a programme approach where activities are managed by Malian institutions' (OECD/UNDP, 1998).

An alternative approach to partnership, which is somewhat less recent but still strongly defended, seeks to avoid too narrow a focus on government by giving **significant weight to building partnerships in civil society**, and with private or voluntary organisations and

community-level structures. This is favoured by many smaller donors, for whom a modest scale of operations is suitable. It is also supported by several large agencies – especially Germany and to some extent the USA – which have never embarked on using programme aid as a lever for influence through concerted dialogue. Partnership approaches which privilege relations with civil society have obvious appeal as a means of coping with the corruption and lack of accountability of some partner governments. The World Bank's *Assessing Aid* Report found that if the policy environment is not right and government does not work, then nothing works (World Bank, 1998a). This provides a strong case for paying at least some attention to relations with government and not adopting 'civil society' partnerships on an exclusive basis. A pragmatic approach to government-centred partnerships also recognises that governments are not monolithic, and it may be possible to seek out those parts of government where potential exists for pursuing pro-poor policy and practice.

Considerable differences of view exist in a second area – **is conditionality consistent with poverty-oriented partnerships?** Some agencies are now reluctant to use the language of conditionality, as a result of prolonged criticism that it has been heavy-handed and ineffective. Recent research suggests that neither criticism is fully justified, but does indicate that conditionality is not effective in promoting longer-term policy or institutional transformation. Faced with this mixed picture, some agencies attempt to use some form of political conditionality. Germany and Finland, for instance, favour criteria such as respect for human rights and popular participation in political decisions. There is *no consensus, however, that new partnerships should include specifically pro-poor conditionality*, and few appear to have adopted it in practice. The nearest examples are the requirement by the World Bank in its ESAF programmes that a minimum percentage of public expenditure should be allocated to social sector spending – an approach which has been followed by one or two bilateral donors. Interestingly, the *survey of partner country perspectives*, conducted as part of the Scoping Study, elicited quite favourable views on conditionality vis-à-vis good governance and democracy, gender and the environment, and aid accountability. There is much resentment, however, of conditionalities tying assistance to goods and services from donor countries.

A third source of thinking on partnership relates to the **relative merits of the project versus other modes** (sector-based and budgetary) of delivering development cooperation. The multiplication of projects, even when formally managed by government staff, has been found by some to be institutionally corrosive, diverting officials' effort from more central tasks and creating 'islands of excellence'. Some agencies conclude that as long as agencies channel funding outside of the partner government's budget process they will remain *'part of the problem rather than part of the solution'* (Foster and Merotto, 1997). Partnerships are seen as providing solutions by favouring large disbursements in support of poverty reduction through official budgets.

Although there is no consensus on what partnerships entail, agencies are increasingly adopting the view that the **purpose of building partnerships is poverty reduction**. This shift is clearly to be welcomed; there is an **urgent need to clarify the mechanisms** for achieving pro-poor partnership. Four important issues concern selectivity, ownership, coherence and agency skills.

The principle of **selectivity**, given a boost in the World Bank's *Assessing Aid* Report, involves agencies abandoning traditional conditionality and instead selecting governments with whom they share a commonality of purpose and which have an effective policy framework or a commitment to develop one. Selectivity is seen as affording some leverage over policies through the 'gentler and more effective' means of on-going dialogue about implementing shared principles. Nevertheless, the *appropriate criteria for determining selection need clarification*, since countries may share a commitment to poverty reduction

but not meet other criteria (e.g. they may declare war on their neighbours). How do agencies recognise a pro-poor government when they see one? Given that governments are not homogeneous, even where the overall environment is not promising for poverty reduction, should agencies select not to work with individual ministries where prospects are reasonable?

Ownership: By definition, partnership involves donors agreeing to fund *government-led* expenditure plans, reflecting partner government vision and subject to national accountability. A key constraint is the shortage of governments or even sectoral ministries with both the commitment and the capacity to move into 'the driver's seat'. There are, however, obvious dangers that technical cooperation to build capacity will result in donor dominance by another route, undermining the ownership that it is designed to contribute to. Currently, where governments are unable or uninterested in projecting their own vision, the bilateral agencies and the World Bank show an unhealthy tendency to push ahead regardless, particularly in the area of sector programmes, partly as a result of disbursement pressures (Oxford Policy Management, 1997). A sound and simple principle would be: *donors should stop trying to get into the driver's seat, and other donors should get out of the car if another donor grabs the wheel*.

Finally, developing strong and effective pro-poor partnerships calls for a reappraisal of donor skills. The *partner country perspectives* study underlines the need for donors to look at their own skill deficiencies before focusing on their partners' needs. Respondents also favour decentralisation of donor decision-making to field offices as likely to improve the quality of dialogue (as well as help reduce administrative delays and complexities). Partnership approaches place a premium on sophisticated *stakeholder analysis skills and organisational development expertise*. Attention to this area is a priority if agencies are to be properly equipped to meet the challenges of partnership.

Effective approaches to poverty reduction at the country level require **strong mechanisms for coordination and dialogue** (Section 3.2.3). However, much of the coordination effort now centres on narrow technical issues, limiting duplication and the exchange of experience with *little specific focus on poverty reduction*. Also, much coordination remains *donor-driven* and can leave developing country governments disempowered. The *partner country perspectives study* draws attention to insufficient efforts to include civil society representatives in dialogue and coordination, as well as a lack of knowledge on poverty of government negotiators and the need for more donor support to build up government capacity.

Some efforts have been made to raise the profile of poverty reduction in coordination fora, through Round Table meetings for instance, and a recent evaluation in Zambia concluded that Consultative Group meetings gave substantially more attention to poverty in 1997 than they had in 1990 (Atkinson *et al.*, 1999). UNDP and the World Bank have played a leading role in coordination. Although the extent of World Bank dialogue on pro-poor policies and approaches in sub-Saharan Africa is found to have been modest (World Bank, 1996), there now seems to be greatly increased momentum for pro-poor coordination and dialogue. UNDP began piloting the UN Development Assistance Framework (UNDAF) in an attempt to ensure strategic coordination within the UN system and with government. Important innovations have also been made by some bilaterals (e.g. Germany in India) in initiating a broad dialogue within national society on poverty reduction issues, and this is something that could be developed more in the future.

3.3 Prioritising Poverty Reduction in Agency Country Programmes

Having clear and effective mechanisms for prioritising poverty activities is an important factor in determining how far development agencies maximise their impact. It is necessary, therefore, to consider the criteria agencies adopt to choose between modes of intervention and approaches, such as targeting.

The case studies indicate that there are **no common criteria** to assess even the broad poverty orientation of donor country programmes. A few agencies do have *marker systems* that provide an entry point for assessing poverty focus, while for others the extent to which interventions are shown to have *linkages* with poverty reduction provides an alternative criterion.

CAS, however, reveal little explicit prioritisation of poverty reduction relative to other development and non-development (e.g. commercial) objectives. The portfolio of interventions is generally justified, usually implicitly, on the basis of past experience, perceived comparative advantage and dialogue (generally without a poverty focus) with partner governments. Few attempts are made to assess the poverty-reducing 'bang per buck', or impact per dollar spent, of different sectors. There are, nonetheless, individual examples of agencies providing clear, poverty-based justifications for their choice of interventions.

Development agencies have widely varying views on the value of seeking to **target poor people** specifically. The World Bank's policy is to target the poor directly in countries where poverty is concentrated and sufficient government administrative capacity exists, though the policy is not systematically applied in practice. Some donors, notably the Nordic countries, reject targeting on principle, as undermining the political acceptability and sustainability of interventions, or because they consider it to be unnecessary in very low-income countries where 'all population groups are poor'. Others have no clear policy but implement targeting on an *ad hoc* basis. Generally the impression is that *agencies make relatively limited, though varying, use of poverty targeting mechanisms*. Often interventions do not select the poorest regions, districts or villages, or the poorest groups, such as the landless.

When considering the merits of universal versus targeted approaches it is useful to *distinguish between basic service provision and interventions in the productive sectors* (e.g. agriculture, fisheries, manufacturing). *Targeting mechanisms appear to be particularly important in the productive sector*, where untargeted support can empower the better-off at the expense of the poor and actually exacerbate the concentration of assets in the hands of the non-poor (Cox *et al.,* 1999). In contrast, some argue that in the social sectors the long-term benefit of the poorest may be best served by providing good quality services on a population-wide basis. However, it remains essential to consider the need for *complementary measures* to ensure that constraints specific to the poor do not prevent them from sharing in the benefits from population-wide approaches. A good example is Germany's support for drinking water in Burkina Faso which coupled the objective of universal provision with a careful analysis of the particular constraints facing poor groups in accessing water, particularly poor women.

Agencies choose **modes of intervention** which are appropriate to the particular country context. In practice, it is clear that across all contexts the project mode remains the preferred instrument for pursuing poverty reduction objectives for small donors and most larger donors. Recognised weaknesses of the project approach lie in the donor's temptation to retain a 'hands-on' management style, the difficulty of relating satisfactorily to the wider institutional context and policy environment, and resulting problems of sustainability.

Recently, some donors have begun seeking a shift to sector investment programmes (SIPs) or sector-wide approaches (SWAps), which are intrinsically different. SIPs retain the

identification of individual donors with the particular components of the programme which remain, in this sense, projects, with the World Bank often playing a strong brokering and coordinating role. The SWAp is intended to ensure that government plays a more active role in coordinating donors, formulating policy, and setting priorities. Funding is not 'earmarked' against components but placed in a 'common basket'. To date, there have been few examples of SWAps in poverty reduction, and experience and guidance on how to make them work are within infancy. Problems that need to be highlighted and thought about more seriously, are:

- the strain on national governments' capacities for developing the necessary vision and systems;

- the need for a disciplined and self-effacing approach on the donor side;

- the need for deliberate attention within the agreed framework to monitoring and engaging in dialogue about the performance of the sector in improving access and enhancing impacts for poor people.

These are all substantial issues on which not much systematic thinking has taken place so far. Although SWAps clearly have the potential to enhance ownership and effectiveness, they do not guarantee a poverty focus, and donor-government partnerships face a challenge in combining upstream policy and system-oriented interventions with action downstream which directly involves communities in the improvement of their own health and education status or well-being.

When selecting between different modes of intervention for poverty reduction, there has been a renewal of interest among some agencies, such as Germany, the UK, and World Bank, and continued interest by some others in **area-based interventions**. This return to more 'integrated' or multi-sectoral designs may be explained by the fundamental changes that have taken place in political and economic contexts in developing countries and worldwide since a line was drawn under the experience of Integrated Rural Development Projects (IDRPs) more than a decade ago. It is likely to be strengthened by the influence of thinking about the multi-dimensionality of poverty and 'livelihoods' approaches. It is part of a *response by agencies to the fact that 'the poor do not live in a sector'*. Despite the change in context, the relationship with local government needs attention if the new area projects are to avoid the enclave development that was one of the negative features associated with the old IRDPs.

Agency policies indicate **increased support for decentralisation measures** within developing countries, designed to bring decision-making and resource allocation processes closer to poor people. Practice is less widespread, but there are examples of successes in institutionalising more responsive, participatory planning in a local government framework. In many countries, giving these efforts national scope calls for legal and administrative reforms to decentralise resources and authority. However, experience with such reforms has been very mixed. A balance sheet urgently needs to be drawn up on the precise conditions under which decentralisation may be expected to assist poverty reduction.

Most agencies seek to prioritise **gender equality** within their country assistance programmes. While there are examples of success, overall the case studies strongly support the DAC's conclusion that agency policy commitments to gender equality tend to 'evaporate' at the stage of country strategy preparation and country programme implementation. Part of the difficulty lies in the weakness of gender expertise at the field level relative to headquarters and in the lack of sex-disaggregated data. Operationalising gender issues at the macro and meso level is seen as a particular problem widely shared among agencies. The linkages between gender equality and poverty reduction which are poorly articulated in headquarters' policies are little better defined at the country level.

3.4   What Works in Poverty Reduction ?

In assessing the lessons of experience of what does and does not work in poverty reduction, there are three topics that seem to be generally regarded by agencies as critical:

- choosing an appropriate level of targeting;
- encouraging participation at all stages of the intervention; and
- paying attention to key factors influencing sustainability.

There are varying views on the pros and cons of **targeting** the poor, but also a general recognition that this area deserves greater consideration. Some evidence points to directly targeted interventions as having greater impact on the poor, though this may partly reflect insufficient efforts to assess the benefit incidence of indirect approaches. Emerging lessons include the importance of *joint* commitment partner by governments and donors to targeted approaches, the need to reducing the human, financial and time costs of participation, and the contribution of self-selection mechanisms to financial sustainability and reduce distortions.

Participation, referring to systematic stakeholder involvement, is still *more widely preached than practised*. It now has a recognised, even required, place in project design. Benefits are clear and demonstrable, but most particularly in the framework of process projects where stakeholders are in a position to influence the shape of the intervention and project managers have an interest in making it a more than nominal dimension of the operation. *Gender relations* figure centrally in a small but probably growing proportion of direct anti-poverty interventions. On the other hand, participation is not a panacea, it has significant opportunity costs for poor people, and the poor themselves do not have all the knowledge needed to devise solutions to their poverty.

The broad perspective on **sustainability** that agencies seem to share is that it can be improved on the basis of a longer-term commitment to the relevant national, regional or local partner. This may be supplemented with a number of useful insights from the World Bank about factors that encourage commitment from primary stakeholders and lead them to defend collective investments; e.g. including land title regularisation builds the commitment needed for sustainability. Innovative financial measures for cost-recovery have been used successfully in urban poverty schemes and deserve careful consideration. In the poorest countries, however, it may be necessary to distinguish between institutional and financial sustainability. Agencies and partners *should not expect to achieve financially sustainable delivery of social services in very poor countries,* but should aim for *institutional* sustainability. Greater realism in this regard would promote a longer-term perspective for agencies and partners and serve to enhance the design, overall sustainability and impact of poverty reduction interventions.

1

Donors' Poverty Reduction Goals, Conceptions, Strategies and Roles

Introduction

This Chapter considers whether donor agencies are attempting to place poverty reduction at the heart of their approach. A sense of the degree of donor commitment to poverty reduction provides the context for the subsequent scrutiny of whether management systems and actual interventions do indeed contribute to poverty reduction (Section 1.1). The Chapter examines the kind of conceptual framework used by agencies when considering poverty (Section 1.2), and what informs their strategies for poverty reduction and thus their approach to dialogue with developing country partners and to designing and implementing programmes (Section 1.3).

The Chapter concludes by looking at the range of roles which development agencies see themselves as having in promoting poverty reduction (Section 1.4). Do agencies consider it sufficient to promote poverty reduction through their bilateral aid programmes alone or should they try to exert influence on multilateral partners to this end? Do donor governments seek to further poverty reduction through non-aid channels and to ensure that their approach to trade, investment and agriculture, for instance, is consistent with the poverty reduction objectives espoused by the aid ministry?

1.1 Do Donor Goals, Aims and Operational Objectives Reveal Commitment to Poverty Reduction?

As a first indication of the level of their commitment to reducing poverty, this Chapter begins by considering what the agencies themselves say about poverty reduction in their official policy statements. Demonstrable official commitment is likely to assist with the effective mainstreaming of poverty reduction but clearly does not guarantee it (see Section 2.2.1). Official commitment must translate into aims and operational objectives which have clear linkages with processes that reduce poverty (see Section 1.1.2). In addition, it is essential to assess whether agencies which lack a formal policy statement may nonetheless also have aims and operational objectives which reveal clear linkages with poverty reduction.

1.1.1 Agencies' Formal Commitment to Poverty Reduction

Table 1.1 shows which donors have a formal policy statement that states that poverty reduction is their overarching goal or one of two or three overarching goals. It shows that most agencies do indeed explicitly identify poverty reduction as being at the centre of their approach to development. Chapter 2 will assess whether or not this formal commitment to

poverty reduction is matched by management systems which mainstream poverty across all agency activities.

Table 1.1   Donors' Formal Commitment to Poverty Reduction

Poverty Reduction is Sole Overarching Goal	*Poverty Reduction is one of two (or three/four) Overarching Goals*	*Poverty Reduction is not an Overarching Goal*
Australia, Canada, Denmark, Ireland, Luxembourg, Netherlands, Norway, Spain, Sweden, UK, UNDP, World Bank	Austria, Belgium, EC, Finland, Germany, Italy, Japan, New Zealand, Switzerland	France, IMF, Portugal, USA

Although poverty reduction is not explicit in the formal statements of all donors, all of the agencies have signed up to the International Development Targets (IDTs) set out in the Development Assistance Committee's *Shaping the 21st Century* document (see Box 1.1).[1] None of the agencies dispute the importance of poverty reduction as expressed in the IDTs or in the goals of the 1996 Food Summit.[2] In this sense, all donors may be seen as being committed to poverty reduction, even though each agency has to determine the importance of poverty reduction relative to its programme's other objectives.

In some cases, domestic or cultural factors explain why some development agencies feel able to subscribe to the IDTs but not to include poverty reduction explicitly in their formal policy statements. In France, for example, the lack of an explicit poverty reduction goal to some degree reflects dissatisfaction with the concept of poverty. It is felt that the term 'poverty' carries pejorative and outdated connotations of charity with which the French agencies do not wish to be associated. For the USA, the influence of the domestic political environment plays an important part. Public support, it is argued, can be mustered for specific objectives such as economic growth, improved health, food security, and environmental sustainability, but not for poverty reduction, which has an unhappy resonance with domestic welfare programmes. Donors such as these do not have an official policy or

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Box 1.1: The International Development Targets

The International Development Targets are designed to provide milestones against which progress towards the goal of poverty reduction can be measured:

Economic Well-being:
- a reduction by one-half in the proportion of people living in extreme poverty by 2015.

Human Development:
- universal primary education by 2015.
- progress towards gender equality; eliminating gender disparity in primary and secondary education by 2005.
- a reduction by two-thirds in infant and child mortality rates; and by three-quarters in maternal mortality by 2015.
- access to reproductive health services for all.

Environmental Sustainability:
- the implementation of national strategies for sustainable development in all countries by 2005.

Source: DAC, 1996

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[1] The IMF states that as a financial institution is cannot have poverty reduction as its overarching goal.

[2] Donors agreed to a target of halving the number of undernourished in the world by the year 2015.

document explaining their orientation towards poverty reduction but, nevertheless, they are committed to many of the same aims and operational objectives as agencies with poverty reduction as an overarching goal (see below).

1.1.2 The Linkages between Donor Aims and Operational Objectives and Benefits to Poor People

More important than official expressions of commitment to poverty reduction is whether donor dialogue and interventions are actually delivering concrete benefits to poor people. This is more likely to happen if development agencies have carefully articulated the linkages between their aims and operational objectives and the likely benefits for poor people. In the best cases such an articulation will lead naturally to a consideration of how these linkages can be strengthened and whether there is a need for complementary interventions to reduce obstacles which may otherwise limit the extent to which poor people share in any benefits. This kind of analysis provides a strong foundation for effective poverty reduction, but it must be emphasised that the benefits realised by poor groups will clearly depend on actual implementation (as well as the country and international environment).

The donor case studies show that some agencies have explicitly articulated plausible links between their aims and operational objectives and likely benefits to poor people (e.g. Australia, Denmark, Finland, Germany, Switzerland and the UK), whilst others have not (e.g. France, Italy, New Zealand, Portugal, and the USA). While clear articulation of linkages may have the advantages indicated above, their presence does not guarantee that the poor will benefit and their absence does not necessarily imply that these agencies are not delivering or concerned to deliver benefits to poor people. Furthermore, a comparison of two donors that do have an overarching goal of poverty reduction and do articulate linkages (Australia and Denmark) with two agencies which do not (France and the USA) shows considerable commonality in their aims and operational objectives (see Boxes 1.2 to 1.5).

To facilitate the comparison, the various aims and operational objectives of the four agencies are structured in three broad groups. This follows a system broadly shared by Germany (BMZ), Sweden, the UK and the World Bank, which classifies interventions into three groups:

- **direct or focused actions:** those actions that aim directly and predominantly to focus on the rights, interests and needs of poor people;

- **indirect or inclusive actions:** actions which aim to benefit broad population groups including poor people, but which also address issues of equity and barriers to the participation or access of poor people;

- **enabling actions:** structural measures aimed at underpinning pro-poor economic growth or other policies leading to social, environmental or economic benefits for poor people.

Often these three groups correspond to actions at the micro, meso and macro levels. Direct actions are often micro in character, indirect or inclusive actions tend to take place at the meso or sectoral level, while enabling actions are most often at the meso/sectoral and macro levels. The extent to which indirect and enabling actions actually benefit poor people may well be contingent upon a range of other factors, such as their physical isolation or their

exclusion from subsidised public services. Thus, agencies and governments need to identify the complementary interventions that are required (see Cox *et al.*, 1998).

1.1.2.1   *Some Examples of Direct, Indirect and Enabling Actions*

Debt reduction and promotion of good governance are two examples of enabling interventions which may be linked to poverty reduction under certain conditions. For instance, debt relief is likely to benefit the poor only if it results in increased public expenditures on services which benefit the poor or if it contributes to pro-poor growth. Similarly, attention to linkages is required if governance measures are, in fact, to benefit the poor. Some donors often link support for structural adjustment programmes to the creation of an enabling environment for poverty reduction. These programmes are designed to remedy unsound macroeconomic policies which adversely affect the poor, such as inflation or rent-seeking regulations which exclude the poor.

Typically, operational objectives to improve service delivery, for example agricultural extension or health, address poverty reduction in an inclusive and indirect way since very often the non-poor benefit along with the poor, and because their objectives go wider than addressing poverty reduction *per se*. Often the dividing line between the groups may be blurred or depend very much on the precise way in which operational objectives are implemented. Attempts to promote food security, for instance, may either be inclusive or focused in nature. Similarly, micro-credit schemes may be directly focused on benefiting poor groups, or they may have wider target groups or seek to address structural barriers to the participation of poor and non-poor groups in financial institutions. Humanitarian aid and emergency relief, or improving the access of poor people to productive assets, tend to fall into the direct or focused category.

A further distinction to be considered is between strategic and practical interventions (Thin, 1998). Strategic actions seek to contribute to creating an enabling environment in which poverty reduction can take place, and tend to address the underlying causes of poverty. Practical actions are those seeking to mitigate the manifestations of poverty. Thus, supplying clean water and sanitation to 10 villages provides a practical solution to aspects of the poverty of some poor people, while a meso-level health sector reform may seek to alter the incentive structure which discourages doctors from practising in isolated and poor regions. It is clear, therefore, that although practical actions may be more obviously and directly linked to poverty reduction, they cannot be assumed to show greater commitment or be more effective than interventions that are more strategic in nature. Recent research on European donors suggests the share of aid allocated to direct interventions has been quite limited (Cox *et al.,* 1999).

1.1.2.2   *Potential Advantages of Articulating Linkages with Poverty Reduction*

While it is important to recognise that having an overarching goal and clearly articulated linkages provides no guarantee of effective poverty reduction, it is interesting to note that two agencies that have recently strengthened their explicit commitment have found it to be a positive step. For both Australia and the UK it has increased incentives to prioritise poverty reduction over other objectives and thus increased the share of development assistance which these agencies perceive as generating benefits for poor people. In both cases the legitimacy on which their development cooperation programmes rest has been redefined. In the case of

Australia, objectives more closely associated with bolstering Australian exports and only tenuously with poverty reduction have been downgraded. For the UK, any ambiguity concerning the centrality of poverty reduction has been swept away, and all staff are under considerably more pressure to demonstrate the linkages between policies and actions and poverty reduction.

1.2 The Agencies' Conceptual Framework for Poverty

Introduction

Poverty reduction is generally accepted as an important, even overarching, objective by the donor agencies because there is a desire to pay special attention to the condition of a particular group of people – the poor. If donors are to develop effective strategies and interventions to tackle poverty they need to have some understanding of the phenomenon they are trying to address, its definition, its causes and those that it affects. Thus, there are four distinct sets of questions that agencies need to answer:

- What is poverty? How do they define it? What are its dimensions?

- What are the causes of poverty? How do these relate to economic, social and political processes and institutions at the international, macro, meso, and micro levels?

- Who are the poor? How are they to be identified and targeted for assistance?

- How can poverty be reduced or eliminated? Through what methods and with what likelihood of success?

Although agencies may not always refer to them in this way, the answers to these sets of questions can be seen as making up an overall conceptual framework of poverty which agencies use to inform their choice of strategies for the operationalisation of poverty reduction activities. Weaknesses in their conceptual framework may undermine the coherence of their strategies and hinder their ability to design effective interventions for tackling poverty. This Section assesses how agencies understand poverty through their thinking in each of these areas. Chapter 2 then goes on to discuss how this conceptual framework relates to the operationalisation of agency activities, while Chapter 3 includes an assessment of what works and what does not in poverty reduction.

1.2.1 How the Donors Define Poverty

The case studies show that all the agencies define poverty in a multi-dimensional fashion, though the precise dimensions emphasised vary both across and within agencies. The range of dimensions of poverty emerging from the studies fall into the broad categories set out in Figure 1.1. This begins with the rather narrow **basic needs** and **income/consumption** definitions of poverty. It then broadens out to encompass lack of access to a variety of **material and non-material assets**. These include the various kinds of capital (physical and environmental, financial, human and social), land and also time. Lastly, there are the different

Box 1.2. Australia *'There has been a shift in focus from multiple and conflicting objectives to one cardinal objective, that of reducing poverty in developing countries.'*	**Box 1.3. Denmark** *'Poverty reduction is the fundamental principle of Danish development policy. No other objective figures above or beside this basic goal'*
Direct/Focused	*Direct/Focused*
Overcoming structural disadvantage and discrimination against the poor by removing barriers to their participation in local decision-making processes. Investing in the human capital of the poor.	Promoting welfare policies to ensure access of poor to services.
Increasing productivity of the poor by improving access to key productive assets such as land and micro-credit, with particular focus on women.	
Essential infrastructure (clean water supply and sanitation, energy, transport and communications) geared to needs of poor communities as supplement to private capital flows.	
Social safety nets and targeting. Emergency relief.	
Indirect/Inclusive	*Indirect/Inclusive*
Recognition that men and women have not shared equally in the benefits of development. Therefore, greater focus on women's empowerment through their greater participation in leadership and decision-making, promoting their rights, and the elimination of discrimination against them.	Encouraging development of, and popular participation in, institutions of civil society necessary for development.
Sectoral policies focused on education, health, infrastructure, agricultural and rural development.	Developing the social sectors, including the promotion of education and health care services as a precondition for the development of human resources.
Greater focus on women's access to education, health care and economic resources.	Sectoral focus (agriculture, education, environment, health, infrastructure – transport, energy, telecommunication – and water and sanitation) for activities with the purpose of incorporating Danish assistance more strongly into the policies of the recipient country to achieve 'national ownership'.
Promoting better management of natural resources, recognising importance of poverty and environmental linkages.	Promoting popular participation in the development process. Publicly provided services are unlikely to be pro-poor unless the poor can influence political processes themselves.
Providing essential economic and social infrastructure with particular attention to needs of poor.	
Basic health, education and training. Emphasis on basic technical, vocational and distance education with particular regard to needs of women and girls. Focus on primary health care and disease prevention concentrating on those most in need, particularly women and children.	
Enabling	*Enabling*
Sustainable and broad-based growth by encouraging sound national policies.	'Socially balanced economic growth': promoting sustainable economic growth, where equity and distribution policy is an integral element of economic policy.
Structural reforms to promote the private sector. Specific focus on privatisation of state-owned enterprises and making credit more accessible to entrepreneurs, especially the very poor.	Support for pro-poor macroeconomic and agricultural policies aimed at broad-based economic and social development.
Good governance: helping to develop efficient, accountable and equitable government administration and promoting civil and political rights.	Cancellation of most bilateral debt. Support for HIPC initiative and contributing to multilateral debt reduction funds. 'Danida .... supports that debt relief is related to a country's policies and performance with respect to poverty reduction and social sector development.'
Capacity-building to facilitate creation and maintenance of institutional frameworks and help institute reforms – including help for legal reform, support for media and for electoral processes.	Public sector reform and government institutional capacity-building. Good governance and democracy: 'a concern with popular participation, the rule of law and good administration practices as preconditions for stability in economic, social and political development'.
Support for institutional development for national education, health systems (national health planning and development, disease surveillance, and pharmaceutical supply/regulation), and infrastructure. Strengthening institutions outside govt. such as chambers of commerce, community groups, NGOs.	

Box 1.4: France *'We don't label our development assistance with poverty'*	Box 1.5: USA *'Everything we do is related to poverty'*
Direct/Focused	**Direct/Focused**
Empowering vulnerable populations through their participation in associations and local organisations – combating social exclusion through the integration of 'the marginalised and excluded' into their socio-economic and political environment at country, region and village level.	Humanitarian relief programmes associated with natural or human-made disasters.
	Underlying USAID objective aims for 'access to economic opportunity for the rural and urban poor [to be] expanded and made more equitable'.
	Promoting food security: 'the fight against poverty is seen by some in the Agency as part and parcel of food security efforts, and vice-versa'.
Indirect/Inclusive	**Indirect/Inclusive**
Institutional support to Ministries of Social Affairs in order to improve the delivery of social services at various levels.	Programme resources aimed at 'growth engines' such as microenterprises and micro-credit with focus on small-scale, informal sector. Business and technical training for microentrepreneurs.
Basic infrastructures for transport, communications, access to water, access to electricity and sanitation in both rural and urban areas.	World population to be stabilised and human health protected. Focus on child health. Focus on high maternal mortality rates.
Urban and rural development to increase the incomes of rural households.	The world's environment protected for long-term sustainability. Agricultural development especially transformation of subsistence sector with greater integration into world markets.
Generating local sustainable solidarity networks – supporting local mobilisation for, and participation in, projects and activities with locally defined needs and that will be implemented and maintained by local people. Promoting women's participation in public life and local decision-making arenas. Support to women's associations and women's access to credit.	Strong gender focus in social sector work. Develop human capacity through education and training.
	Investments in health and basic education contribute to increases in productivity, improved health, and a more stable population growth. In this way, USAID addresses the basic needs, including social services, required for sustainable human development, focus on girls' education.
Emphasis placed on meeting basic social needs through social infrastructure and services: better quality and improved access: new emphasis on basic education and public health to develop human resources and improve access of poorest to opportunities offered by economic growth and to ease their social and political integration. Special focus on women.	Promotion of decentralisation and local empowerment: 'A greater political voice for the poor should lead to greater and more equitable access to economic opportunity, which is central to USAID's beliefs regarding poverty reduction'.
Enabling	**Enabling**
Use of financial assistance, including debt reduction and budget support through structural adjustment programmes to promote restoration of basic macroeconomic equilibrium as a condition for sustainable growth. Debt reduction has to be articulated with support for national capacity for economic management.	Broad-based economic growth and agricultural development encouraged as 'the most effective means of bringing poor, disadvantaged and marginalized groups into the mainstream of an expanding economy'.
Support for 'sound' macroeconomic policy – particularly directed at policies that aim to restore growth and promote productive activities in agriculture and the private sector.	Economic growth is the best means of generating tax revenues from which to finance public sector expenditures on the social sector that enable the poor to take advantage of economic opportunities.
Development of democratic governments and institutions including respect of human rights and good governance.	Promotion of structural adjustment activities through Economic Support Fund (ESF), such as cash for budget support, foreign exchange, or debt servicing. In return, USAID requires the recipient country to effect policy reform that promotes sustainable development.
Development of sustainable collective solidarity links through social security schemes or community safety nets.	Expand and strengthen critical private markets. Support regulatory and policy reform directly affecting microenterprises.
Pro-poor growth articulated as support for activities that favour the use of labour and that are accessible to the poorest segments of society.	Democracy and good governance: strengthen rule of law and respect for human rights, improve the political processes, develop civil society, and make government more transparent and accountable.

aspects of what are often referred to as the **rights-based dimensions** of poverty; these rights-can be defined at the level of the individual (the right to dignity/autonomy/social inclusion), of particular social groups (the right to equality), and of society as a whole (the right to political freedom and security) (Hanmer *et al.,* 1997).

1.2.1.1   Which Dimensions are Highlighted in the Case Studies?

Income/consumption definitions and lack of satisfaction of basic needs figure strongly in most agencies' definitions of poverty. In their focus on international poverty reduction targets, agencies often favour simple income/consumption definitions and their associated indicators. The US$1 a day indicator,[3] for instance, is a powerful tool for raising awareness and generating political momentum, but most agencies recognise that reductionist approaches which exclude other dimensions result in a faulty conceptualisation.

Figure 1.1   Dimensions of Poverty
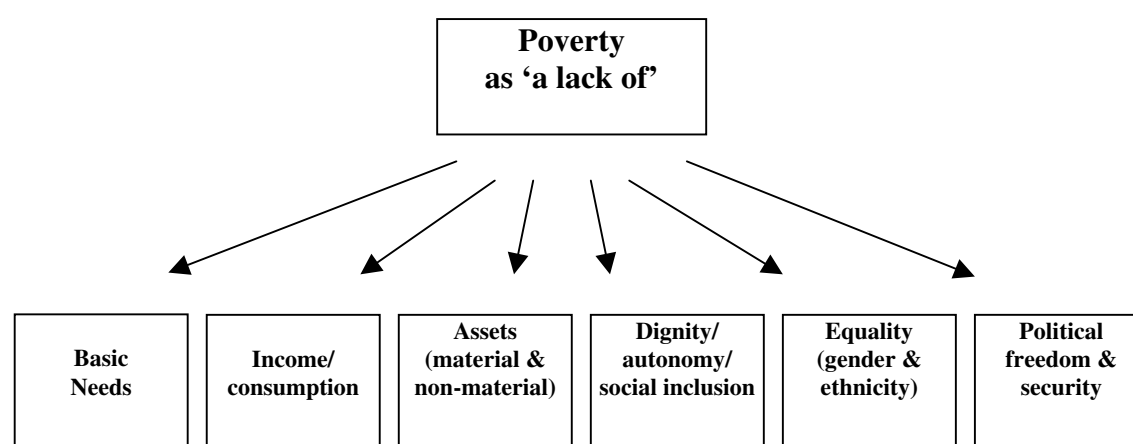
Most agencies also include lack of access to, or ownership of, financial assets as one of the dimensions of poverty. Similarly, the level of human capital is widely seen as a key dimension. Social, physical and environmental capital and land receive less attention by donors, with only the case studies for Canada, Sweden and UNDP appearing to consider these dimensions in any depth. The extent to which poverty can be understood in terms of a lack of time, a dimension with a strong gender aspect, features scarcely at all in the studies. The case of Denmark is summarised in Box 1.6 as an example of an agency which has a particularly broad and well-articulated concept of poverty.

The majority of donors include some aspects of the right of the individual to dignity, autonomy and social inclusion in their definitions. The Danes, for example, consider poverty in terms of an inability to influence one's situation as a result of a lack of social status and power. UNDP emphasises 'human poverty', which reflects Amartya Sen's work on capabilities, and is very broad in scope. Human poverty is defined as the 'denial of opportunities… basic to human development – to lead a long, healthy, creative life and to

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[3] This refers to those whose income or consumption falls below US$1 per day in 1985 terms adjusted for purchasing power parity.

enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others' (UNDP, 1998a).

The right to equality is another dimension taken up by many agencies, though it is often unclear what the 'right to equality' implies. For some, this is associated with ethnicity (e.g. Canada, Japan, Spain, Sweden and the UK). However, it was far more common for agencies to consider inequality in terms of gender disparities. Many agencies see gender equality as a dimension of poverty in its own right, defining it in terms of social justice and equal rights (Australia, Austria, Belgium, Canada, Denmark, Germany, Japan, Luxembourg, Ireland, New Zealand, Sweden, Switzerland, UNDP, UK and implicitly USA). These agencies then

> **Box 1.6**
> **Denmark's Concept of Poverty**
>
> In the Danish case, to be poor implies principally:
> - an inability to cater for basic needs (food, shelter, health, etc.) as a consequence of low rates of income and insufficient access to productive resources and assets, i.e land;
> - lack of opportunities to exploit human resources owing to insufficient access to education and health care;
> - isolation owing to physical conditions and/or inadequate education;
> - lack of status and power, making it difficult to influence one's own situation and break out of poverty;
> - a high degree of vulnerability owing to a very limited economic base.
>
> *Source:* Danish case study

generally go on also to recognise the causal links between gender inequality and other dimensions of poverty, such as access to assets. Very few, however, make explicit reference to the different ways in which women experience poverty in particular through their role in the reproductive economy.[4] Switzerland is unusual in having guidelines which require staff to consider this differential experience.

The linkages between the market and the reproductive economy, and their differential impact on women, is also acknowledged through a requirement that Swiss development projects must 'avoid [an] increased burden on women'. UNDP's gendered approach to human poverty focuses attention on disparities within the household, recognising that the way in which resources such as food, education, and health services, as well as productive assets, are distributed among family members reflects intra-household (as well as community-level) gender inequalities.

Although several include vulnerability due to war or conflict as a cause of poverty, it is not clear that many agencies regard freedom from political insecurity as a dimension of poverty in its own right. Generally, it is seen as a subsidiary of other dimensions. Sweden, for example, talks about poverty in terms of a lack of opportunities available to people, determined by conditions in society, such as democracy and human rights. Similarly, the US sees political rights as a means of achieving 'greater and more equitable access to economic opportunity'.

A further approach to understanding poverty is that promoted by the livelihoods 'school', whereby instead of focusing on people's lacks and needs, development should start from people's and communities' strengths and assets. This is still a minority view within official development agencies, but is gaining ground across and within agencies, notably Sweden, the

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[4] The reproductive economy is defined as the unpaid economy that underpins social reproduction and human development through the provision of care for the family and community members.

UK and UNDP. An individual's livelihood is seen as comprising the capabilities, assets and activities required for a means of living (Carney 1998: 4). The assets conceptualised include human capital, financial capital, physical capital, and social capital. The robustness of an individual's livelihood is seen as correlated with their asset status, though also influenced by the external environment. Its holistic nature implies a very full process of analysis before interventions to support livelihoods can be set in motion. The continuing or, in some cases, growing interest in area-based programmes is at least partly influenced by the livelihoods approach and a better understanding of poverty-environment linkages.

1.2.1.2 The Dynamics of Poverty

In addition to these broad dimensions of poverty identified in Figure 1.1, there are a number of other aspects that most agencies include in their definitions. The first is an awareness of the dynamics of poverty – that it can be both transient and chronic. Most agencies would agree with the view that some people move in and out of poverty, and that seasonal, cyclical or random shocks are important, though of course many remain in poverty. This mirrors the recognition of the importance of the distinction between chronic and transitory food security (Maxwell, 1999).

There is also a strong disposition amongst donors towards defining poverty in dynamic terms related both to sustainability and to the creation of conditions that enable the poor to move out of poverty. UNDP, for example, emphasises that poverty is a process rather than a condition, defining poverty as 'the denial of opportunities and the choices most basic to human development' (UNDP: 1997). Luxembourg adopts a similar position in defining poverty in terms of the lack 'of opportunities and the capacity by individuals to make choices that would allow them to lead dignified lives'. A number of other agencies address this by focusing on issues of vulnerability and security in relation to poverty-increasing contingencies such as war, seasonal fluctuations, natural disasters, unemployment, violence, disability and so on (e.g. Canada, Denmark, Sweden, UK, UNDP, World Bank).

Recent research underlines the importance of understanding poverty reduction as a process, and suggests that the conceptual framework common to most agencies is too static. An analysis of the factors which shape the rate at which households enter into poverty or exit out of it in rural Pakistan shows that the factors important in transition differ from the characteristics revealed by a static snapshot of household poverty (Baulch and McCulloch, 1998). In other words, certain dimensions, such as ownership of land, are associated with poverty status at a point in time but, in this case, do not affect the likelihood of households entering into or exiting from poverty, though the size of livestock holding does. These findings emphasise that the conceptual framework for poverty must not focus attention only on the characteristics of the *currently* poor, but must examine the factors which affect entry into and exit from poverty and thus consider the needs of those who may be *vulnerable* to becoming poor. An understanding of the dynamic processes of poverty reduces the danger of addressing the symptoms rather than the causes of poverty.

1.2.1.3 Absolute/Relative and Objective/Subjective Definitions

A second aspect, acknowledged by all agencies, is that poverty can be defined in both absolute and relative terms. Some donors, such as Belgium and Germany, conclude that reducing *absolute* poverty is their primary goal whilst at the same time acknowledging that

poverty can also be defined in relative terms. Others, such as France and Switzerland favour a *relative* definition of poverty that focuses on inequality. France, for example, argues that 'poverty is a relative notion by definition ... poverty is more intense with high levels of inequality'. Similarly, Switzerland contends that 'Poverty and wealth are the product of one and the same process: unjust distribution due to power and violence (including structural violence)'.

Some agencies favour both absolute and relative approaches. This is often coupled with the increased attention given by some agencies to subjective as well as objective definitions; focusing on whether poverty should also be defined by those who experience it – that is, the poor (e.g. European Commission, UK, UNDP, World Bank). For the most part, this is reflected in the development and use of participatory poverty assessments which seek to provide information on the poor's own perception of poverty. It is clear from assessments that have already been undertaken, that perceptions of poverty differ between and within countries as well as between and within socio-economic groups (Hanmer *et al.,* 1997). This is a finding that is acknowledged by the majority of donor agencies, though the operational implications are less clear to many.

A further distinction between absolute and relative measures of poverty concerns measures of progress towards poverty reduction. The overarching International Development Target, for example, is formulated in terms of the proportion of people living in extreme (income) poverty, rather than the absolute numbers of poor. It is quite possible that individual countries may achieve a halving of the proportion of absolute poor, while seeing the total number of poor people remain very high or even increase. Undoubtedly developing countries and donor agencies hope to achieve an absolute reduction in numbers, but may have concluded that a more realistic and attainable target will generate greater positive political impetus.

1.2.2   What are the Causes of Poverty?

Defining and measuring poverty is not the same as understanding why it occurs. Identification of the causes of poverty is important if interventions are to result in sustainable poverty reduction and not just the alleviation of the symptoms of poverty (though this may be an important first step). For example, emergency food aid fulfils a practical direct poverty reduction aim as it can improve nutrition and promote a sense of food security. However, it is unlikely in itself to lead to a sustainable escape from poverty, and there is considerable evidence that it may contribute to decreased sustainability and food security in the medium to long term due by creating disincentives due to market distortions. Sustainability requires an understanding of why the poor are not able to produce or purchase enough food.

Most donors view poverty as being a complex phenomenon caused and reinforced by a number of factors. As an example, Austria emphasises a lack of access to resources and means of production but also gives explicit recognition of the role of socio-political processes such as discrimination and inequality in determining this. This theme - that combinations of economic, social and political factors, interrelated and mutually reinforcing, are the cause of poverty - is taken up by a great number of agencies and, for some, represents a move away from what was previously a predominantly economic focus. Some donors, such as Canada,

France and Germany, also make explicit reference to cultural, historical and environmental causes.

There is, however, sometimes a confusion between cause and effect. In part this appears to be related to an insufficiently clear understanding of the circular relationship between the two. There are examples of agencies focusing on the 'lack of voice' of the poor as an important dimension of their poverty, but without giving sufficient recognition to this lack of voice or of political power as a major underlying cause of their poverty. Is lack of voice what makes people poor, or is it people's poverty which denies them a voice? Greater recognition of this circular relationship might have implications for the identification and implementation of solutions to poverty. The Danish case study suggests that instead of trying to disentangle cause and effect, it is more productive to focus on both simultaneously by looking at poverty processes (as mentioned in Section 1.2.1.2).

The usefulness of the discussion of causes within agencies is also hampered by the frequent lack of any prioritisation between them. Many agencies provide a long list of very different yet, on the face of it, equally important causes of poverty. In part this is because more detailed and balanced analysis is best done at the country level and not at the policy-making headquarters. Yet there is undoubtedly room for more discussion within agencies of the relative importance of different causes and the linkages between them, which would serve to focus poverty reduction efforts. An example would be an intervention which seeks to reduce illiteracy by providing school buildings and teachers, but without looking at other causes of poverty which may constrain attendance, such as lack of crèche facilities or the seasonal demands for child labour in agriculture.

Finally, few donors seem explicitly to address the different levels at which causes of poverty may be found and the connections between them. Canada and the UNDP appear to be exceptions, emphasising that causes of poverty are found at local, institutional, national and international levels as well as being strongly related to gender roles and discrimination against women. Similarly, the European Commission stresses the importance of integrating poor countries into the global economy as being part and parcel of an effective approach which combines actions at the micro, meso, macro and international levels. Making such links may be important for agencies in order to clarify their underlying understanding of social processes and also to help focus activities in concrete contexts. It is these extra steps that may be significant in helping to create more effective poverty reduction strategies. This will be developed further in Section 1.3.

1.2.3 Identifying the Poor

1.2.3.1 *Aggregation at the Country Level*

When donors intervene to reduce poverty they have to consider who the poor are and how assistance can best be targeted on them. This involves some consideration of the different levels of aggregation which can legitimately be used to identify the poor. The Finnish development agency correctly notes, 'there are poor people, poor households, poor areas, poor classes and social groups, poorer gender, poor governments, poor nations and the collective "Poor Global South" whose poverty Finnish development assistance can potentially seek to reduce'.

When attempting to prioritise poverty reduction in aid allocation, agencies often consider poverty reduction at the country level (e.g. Belgium, Denmark, Finland, Norway, Sweden, Switzerland, UK, USA). There are a range of different indicators which can be used to judge national poverty levels, including UNDP's Human Poverty and Human Development indices as well as a country's level of *per capita* GDP. Targeting countries rather than individuals or households may be seen by agencies as both a guide to commitment and a means of assessing success in meeting goals. Improvements in basic indicators of *per capita* GDP, malnutrition, infant and child mortality, primary school enrolment, gender equality etc., may satisfy donors that they are contributing to poverty reduction.

Most agencies, of course, recognise that this is only a minimum guide to a poverty focus, since there are two serious limitations to country-level targeting as a mechanism for identifying the poor. Firstly, high allocations to poor countries, however defined, may not translate into substantial concrete benefits for poor people. Depending on the policy of the partner government, aid to a poor country may reach very few poor people indeed (White, 1997). Secondly, apparent success in terms of improving country-level indicators may mask important distributional disparities. Even though country averages may be improving, those at the bottom end of the distribution may still be faring far less well than those at the top, thus exaggerating the level of success. This may be less of a concern where most people in the country are considered to be poor ('mass poverty' countries), though even then most analysts agree that it is important to recognise the heterogeneity of the poor if effective poverty reduction processes are to be set in motion.

It should perhaps be added that the most recent data points to a substantial decline in the share of aid allocated to the poorest countries. World Bank data have been used to highlight those 26 countries where more than 20 per cent of the population lives on less than US$1 per day, and which account for 75 per cent of the total population in extreme poverty. However, in 1996 these countries received only 29 per cent of DAC Members' bilateral official development assistance (ODA), representing a decrease of 19 per cent compared with 1991-92 (compared to a decline of 16 per cent for developing countries overall) (DAC, 1999).

1.2.3.2   The Heterogeneity of the Poor

The case studies highlight the fact that the identification and targeting of the poor by donors is largely broad-brush. Several Nordic and other agencies consider, for example, that working in a poor area of a poor country may be sufficient to tackle poverty. This is not untypical of many agencies that work on the assumption that the majority of the population in a poor country are poor and that *any* activity in a very poor country is poverty-reducing. Although this may by providing a practical operational approach, particularly where poverty assessments may not be available, it is criticised by many academics and practitioners.

Beyond the country level, many agencies see the poor in geographical terms, based largely on physical isolation or as living in rural areas (e.g. Australia, Canada, Finland, Netherlands, Switzerland, UK, USA). Thereafter, in identifying the poor, most donors make reference to special groups under a variety of headings, such as occupation (e.g. agricultural smallholders), ethnicity, gender, disability, age (children/the elderly), displaced persons, and so on.

Although many agencies recognise the importance of differentiating between different groups of poor, in practice there is a tendency to focus on supposedly homogeneous socio-economic groupings. For example, a number of agencies tend to associate the poor with the agricultural sector and, as a result, assume that working with agricultural smallholders is a poverty reduction intervention without considering that smallholders are often a highly heterogeneous group. Similarly, many consider working in rural areas as synonymous with tackling poverty, regardless of the size of farm holding.

1.2.3.3 Gender and Poverty

An assumption of homogeneity is often implicit in attitudes to poverty and gender. Agencies often link gender inequality and poverty by highlighting that women and girls make up the majority of the poor. As a result, there is a widely-held understanding in some agencies that by targeting women, poverty reduction objectives are met. One agency official suggested that 'if you're looking at gender, then you have a poverty approach'. Many officials, of course, recognise that not all poor are women and neither are all women poor, but the European Commission is unusual in explicitly stating this.

As with many other aspects, there is often a range of views on, and approaches to, gender and poverty which coexist within the same agency. These include:

- The **'add women and stir'** approach: existing poverty narratives can be corrected by disaggregating data by sex and targeting women as an especially vulnerable group.

- The **'male as norm'** approach: the male experience is universalised, so that the goal of policy intervention is to bring women up to the level of men as economic, political and social agents.

- The **'gender and development'** approach: inequality is seen as existing between men as a gender and women as a gender. This inequality creates male bias in market and other social institutions and public expenditures, and hence at the macro and meso level as well as at the micro level.

In the first approach, the importance of women's agency in developing coping strategies for their own and their families' survival is largely absent. The second has a more explicit emphasis on the instrumental value of rectifying inequalities in order to ensure the efficient functioning of *all* (male and female) economic, political and social agents. This fits well with World Bank and IMF objectives, for instance, which focus on how to maximise returns from all factors of production. The final approach may be seen as being more 'holistic' in its emphasis on women's empowerment at all levels as an essential component of a gender equity strategy. However, it is the first two approaches which dominate in the case studies, suggesting that barriers exist to the successful mainstreaming of gender at all levels (macro and meso, as well as micro) as part of the poverty reduction strategy of many agencies.

There is concern within some agencies that gender equality is being subordinated to poverty reduction, and that this may result in less effective use of gender analysis. The UK case study reveals that some social development advisers are concerned that the increased emphasis on poverty reduction in the UK programme may result in gender issues being addressed more narrowly in terms of their instrumental contribution to reducing poverty. It is certainly the case that many agencies do draw on an enhanced understanding of gender relations as a means of improving their identification of the poor and the appropriateness of proposed

solutions. Women are perceived as having a central role in social as well as economic development, and are thus seen as a key to the success of interventions that aim to increase the poor's access to assets, especially human capital. This results in an emphasis on the instrumental benefits for poverty reduction of increasing women's participation in the development process. Examples include:

- France refers to the role that women play in stimulating and disseminating socio-economic progress in very poor segments of society;
- the World Bank finds that projects with a gender component have a higher overall chance of success;
- Belgium highlights the better 'multiplier effect' within the community resulting from targeting women in poverty reduction interventions.

Whilst the emphasis here is on efficiency arguments, agencies also focus on women as a target group on the basis that gender equality is a human right in itself. Thus, for example, Austria and the EC emphasise women's participation in decision-making based on their intrinsic right to equality.

1.2.4 Partner Country Perspectives on Donor Agencies' Understanding of Poverty and the Poor

The Scoping Study Partner Country Perspectives report, which surveyed the views of 50 governmental and civil society respondents across five developing countries, provides further insights into agency conceptualisations of poverty. With the exception of respondents from Vietnam, who see agencies as having an excellent understanding of the poverty situation in their country, a majority of respondents in the other four partner country case studies are critical of donors' understanding of poverty. Development agencies are described as continuing to import ideologies, methodologies and practices and, in doing so, continuing to fail to take account of local poverty context.

Overall, the respondents consider donors to have a vague and limited definition of the poor and a weak comprehension of the processes of poverty. In addition, the report suggests that donors too often see poverty (as a phenomenon) and the poor (as a section of the population) as homogeneous, reflecting their lack of familiarity with poverty contexts at the micro level. Agencies do not have a sufficient understanding of the needs, aspirations, motivations, survival strategies, and self-perceptions of the poor.

In mitigation, it is considered that development agencies have improved and broadened their understanding of poverty in recent years and have refined their targeting as a result. However, in general, it was felt that those who benefited from donor funding through poverty reduction interventions were usually not those in greatest need, for two key reasons:

- *the poorest groups are deliberately not targeted by donors* because of their 'unattractiveness' in terms of funding; i.e. their low capacity to absorb funding, a perception of the inability of the poor to manage resources, and difficulties in achieving measurable impact and thus meeting performance targets;
- *because donors lack an understanding of local social context.* As a result, they fail to take into account differentials of power and access within sections of the population targeted as 'poor'.

Consequently, respondents in the partner country studies considered that there is a need for better evaluation of impacts to establish the effectiveness of donor targeting and to ascertain which groups are really benefiting from agency poverty reduction strategies. In addition, donors need to make greater efforts to understand poverty within local contexts and to move away from an implicit view of the poor as homogeneous.

1.2.5 Operationalising a Multi-dimensional Approach

It is clear from the above analysis that all agencies recognise the potential value of a multi-dimensional definition of poverty and the need to develop a clear understanding of the wide range of causes of this poverty. Multi-dimensional definitions are more likely to focus agency attention on wider issues of social exclusion, for instance, thus resulting in a better understanding of the causes of poverty and therefore of possible solutions. This is clearly the case when examining vulnerability, where income/consumption aspects may not provide the full picture of the factors influencing the rate at which people move into or out of poverty.

Although the majority of agencies have policy statements which reflect a recognition of a wide range of dimensions of poverty, the case studies indicate that agencies have considerable difficulty in operationalising a multi-dimensional approach. In some cases the multi-dimensional definitions of poverty become little more than a taxonomy of poverty characteristics, and a list of causes and manifestations rather than a rigorous attempt to analyse poverty processes and linkages.

Some officials consider that multi-dimensional definitions of poverty sometimes become so broad as to make it difficult at the operational level to separate the poor from the non-poor. Some donors, such as Germany, seek to resolve this by retaining a multi-dimensional understanding of the causes of poverty and even of the nature of poverty, but using a narrower definition for operational purposes:

> People are poor if they do not have the minimum monetary or non-monetary income necessary to meet their food requirements and satisfy other basic needs. [But…] The social, economic, cultural, political and ecological causes of poverty are inextricably inter-linked.

Thus at the country programme level poor people are often defined in terms of income/expenditure categories or, more often, proxies for these are used such as occupational groups, gender and sometimes ethnic groups. The German study suggests that in many cases such proxies are used because the available data are inadequate to the task of producing a more multi-dimensional operational identification of the poor. Officials within the German agencies consider identification of the poor still to be a weak link in their operations – an honest assessment that is also highly relevant to many other agencies. The European Commission has recently devoted greater attention to trying to operationalise a more sophisticated concept of poverty, embracing in particular governance aspects and international dimensions. An internal discussion paper notes, however, that although multi-dimensionality is at the centre of the Commission's policy this often falls down in practice.

Sweden is currently trying to develop operationally relevant guidelines which provide practical suggestions to field staff on how they might retain a multi-dimensional

conceptualisation and use it to inform questions of resource allocation. It is trying to develop practical guidelines which might usefully be disseminated through the DAC Informal Network on Poverty Reduction. This reflects a belief that current data constraints are not sufficient reason to forgo the benefits of a more multi-dimensional approach.

1.3   The Agencies' Underlying Strategies for Poverty Reduction

The nature of an agency's conceptualisation of poverty reduction influences its choice of strategy and thus of interventions. The policy statements of most agencies tend to identify a range of strategies, reflecting their recognition that poverty has many dimensions and causes and thus requires a 'multi-strategy' solution. All agencies, therefore, adopt a mix of strategies, at least in theory, and this mix could be expected to vary to respond to the particular country context. The range of strategies which they combine may be classified into four broad groups economic, social, political and safety nets. These are examined below.

1.3.1   Donors' Economic Growth Strategies for Poverty Reduction

1.3.1.1   Broad-based or Pro-poor Growth

No agency argues that poverty reduction can occur sustainably without economic growth; this is seen as a precondition for poverty reduction. Some agencies consider growth to be generally effective in reducing poverty, while the majority think that particular *forms* of growth are required if poverty reduction is to occur rapidly. Growth, as long as it is not actively biased against the poor, is generally seen as having the potential to contribute to poverty reduction in the following ways:

- by generating the resources that can enable governments to provide infrastructure and social services to a broad spectrum of the population;

- by increasing the demand for labour, which increases employment and provides incomes for those in the residual labour market where many of the poor may be found;

- by increasing the demand for goods and services, some of which may be produced by the poor in the informal sector.

The majority of agencies, however, consider that economic growth should be 'pro-poor' or 'broad-based' if it is to generate benefits for poor people within an acceptable timescale. This apparent consensus masks considerable differences in understanding and in approach between donors, since there is no clear understanding of what 'broad-based' or 'pro-poor' growth actually is, or what role donor agencies can play in working with partners to promote it.

Broad-based growth is open to various interpretations not all of which are, by definition, pro-poor (Hanmer *et al,* 1997). Most commonly, the World Bank's interpretation is adopted, whereby broad-based growth refers to a range of policies that promote labour-intensive employment and thus income growth. It is seen as being accompanied by an emphasis on activities which promote access by the poor to land, credit, infrastructure, and technology,

and the facilitation of out-migration from resource-poor zones where poverty and environmental degradation are interrelated and where sustainable income-generating opportunities are limited (World Bank, 1990). Such a growth path will be employment-generating but whether it is pro-poor or not depends both on how much employment is generated and on what happens to wage rates and hence the share of new income accruing to the poor. Bilateral agencies which adopt the language of broad-based growth include Australia, Germany, and the USA.

Support for 'pro-poor growth' strategies is more recent, and has been adopted by agencies such as the EC, Finland, the UK and the World Bank. The fact that even among its advocates the term is often used interchangeably with 'broad-based growth' confirms the lack of clarity mentioned above. Pro-poor growth may be interpreted as meaning that the *poor's share of national income increases with growth,* and where their share of new income is greater than their existing share.

Although this provides some idea of how one might recognise pro-poor growth if one saw it, it does not clarify precisely what measures are required in order to bring it about. The case studies reveal considerable uncertainty within agencies as to the operational implications of a pro-poor growth strategy, and even where a measure of clarity exists within one department – usually the economists – this clarity fails to spread to other colleagues (e.g. UK).

A number of agencies describe pro-poor growth in terms of promoting the private sector – specifically micro-enterprise – by improving the access of the poor to financial resources through micro-credit and pro-poor productivity enhancement (e.g. Belgium, Canada, the EC and Norway). Belgium and Norway also mention the promotion of small and medium enterprises (SMEs). Others, such as the UK and UNDP, talk about promoting an enabling environment for pro-poor growth which includes aspects such as liberalised trade, macroeconomic efficiency and 'getting prices right', but also better regulation, fair competition, transparency and accountability. UNDP and the USA specifically highlight the importance of agriculture as an 'engine of growth' for poverty reduction. Many questions remain, including whether directly targeted 'pro-poor growth' is better in the long run for the poor, and what are the employment implications of helping groups of poor people directly versus working to accelerate growth rates and encourage greater employment opportunities generally.

1.3.1.2   Growth and Distribution

The adoption of pro-poor growth strategies might be expected to raise distributional issues, including a consideration of possible 'growth-equity' trade-offs or, on the other hand, whether measures to reduce inequality are a prerequisite for a satisfactorily rapid transmission of benefits from growth to the poor. Yet the vast majority of agencies fudge the issue of the relationship between distribution and growth. This reluctance can partly be explained as mirroring domestic political positions; the UK case study, for instance, notes that with a change of government, redistribution has become a legitimate issue for discussion (though clear policies have not yet been developed). The Danish experience holds true for many agencies: whilst accepting that distribution is an integral element of a pro-poor economic policy, the Danish study observes that Denmark does little to clarify what kind of distribution policies should accompany economic growth in order to make it pro-poor. It

concludes that the Danish agency has done little to analyse this question and to identify clear measures which could be operationalised.

Despite this ambiguity, there are a number of donors which highlight the importance of promoting a more equitable distribution of income as part of a pro-poor growth strategy (e.g. Belgium, Finland, Norway, Sweden, Switzerland). Only a few go further, stating that there must also be redistribution of existing assets (e.g. Austria), with the majority showing little interest in this area. Interestingly, redistribution has enjoyed a heightened profile within the World Bank, UNDP and the IMF recently. A recent World Bank study completed in December 1997 highlights that initial levels of inequality are likely to have a significant impact on the rate at which economic growth translates into lower levels of absolute poverty (Demery and Walton, 1997). The policy implications have not yet been drawn out in any detail, but would appear to imply that agencies should give greater consideration to the equity-growth-poverty reduction relationship and its potential role in dialogue with partner governments or aid interventions.

The IMF (1997) considers equity 'an essential condition for economic sustainability', but with the caveat that 'each society must define "equity" and the pace at which it is to be enhanced in consultation with its citizens and civil institutions'. This suggests that there may be a positive relationship between (long-run) growth and equity levels, which reflects recent academic research in this area.

Many other agencies cite factors that are likely to make growth pro-poor. For example, Sweden notes the importance of environmental sustainability (and hence the distribution of resources between generations), geographic sustainability (and hence the distribution of resources between regions), and gender sustainability (and hence the distribution of resources between the sexes) of growth paths. The Netherlands refers to the importance of land and capital distribution. In neither case, however, does the agency's model specify the policy choices that arise from these distributional issues, nor do they go on to discuss which of these choices is most likely to lead to poverty reduction in the long run.

In addition to intra-generational distribution issues, several agencies have begun to consider the *inter-generational* equity of different growth paths, often in terms of environmental sustainability. The practical implications for donor action and for dialogue with partners have yet to be thought through in detail, however.

1.3.2 Donors' Social Strategies for Poverty Reduction

Social models of poverty reduction have gained prominence since 1990, when the World Development Report stressed the role of support for the social sectors as a key mechanism for reaching the poor. All agencies' strategies for poverty reduction include, to some degree, investment in the social sectors, particularly basic social services. For a number, this is identified with a commitment to the 20/20 targets[5]. Several agencies see having a strong gender component in their social sector work as a key to the success of poverty reduction strategies, though often from the mistaken belief that addressing gender concerns is synonymous with poverty reduction.

Whereas agencies are often uncomfortable with issues of redistribution as they relate to income and assets, redistribution of human capital is an area they are much more at ease with. Indeed, virtually all agencies identify social sector investment as having both instrumental and intrinsic value. The first sees social sector investment as promoting human capital development, leading to poverty reduction through its effect on productivity and hence economic growth. The second supports enhancing people's access to basic social services and enabling them to meet their basic needs as objectives that have value in their own right.

Very few agencies talk about a trade-off in public expenditure between the economic and social sectors. For example, both Belgium and the UNDP talk about the problems of overemphasising public investment in either sector, which could result in a decline in either human development or economic growth respectively.

However, although agencies may be comfortable with redistribution of the investment to create future human capital, some officials underlined that in practice there was far too little effort made to assess the particular needs and constraints facing poor groups. Attention to redistributive aspects needs to go beyond an attempt to address gender inequalities, although these are important, and to include a broader analysis of socio-economic inequalities. One official noted that there was a tendency among agencies when supporting social sector investment to assume that the same approach might be universally suitable in those countries where 'everyone' is poor. Yet, even in 'mass poverty' countries it remains important to consider socio-economic inequality, since some individuals are much poorer if all dimensions of poverty are considered, and therefore face particular constraints which may limit the extent to which they benefit from a 'one-size-fits-all' approach.

Finally, donor agencies have, in general, steered clear of any analysis of the potential role of culture as a factor in causing poverty or inhibiting or enhancing opportunities for its reduction. Clearly, although there can be little doubt that cultural factors are significant, external agencies have either undervalued them or considered them too difficult to explore, particularly given the current emphasis on ownership and partnership. This is an area that might usefully be re-examined.

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[5] The 20/20 Initiative calls for the allocation of, on average, 20 per cent of the budget in developing countries and 20 per cent of ODA to basic health, education, nutrition and low-cost water and sanitation. It was officially endorsed at the 1995 World Summit for Social Development in Copenhagen.

1.3.3 Donors' Political Strategies for Poverty Reduction

Although few donors use the term 'political strategy', the past several years have seen a ratcheting up of the rhetoric on empowering the poor through participatory approaches. This picks up what was a watchword of several leading international NGOs in the 1980s, whose representatives regarded it as distinguishing their approach from the 'orthodox model' of development (e.g. Clark, 1991). Today, empowerment at the grass-roots level is regarded as an important objective in agencies with strong social development departments, in those that work closely with NGOs, and in the sections of the World Bank where participatory approaches have been taken up. Despite this, few agencies are clear on whose participation is being sought and, above all, what kind of participation should be encouraged. The mantra has been: more is better. Increased participation by all may simply mean that the views of the poorest are drowned out by the more influential. On what terms and at what cost are poor people participating? Do they have adequate information in order to participate effectively? Furthermore, many agencies continue to see participation largely in instrumental terms, as a mechanism for enhancing effectiveness and sustainability. A minority, on the other hand, view participation as a means *and* an end of development, and seek to promote participation from the bottom up, all the way to national policy-making (eg, UNDP). These and other questions have rarely been asked, yet responses are essential if political strategies are to deliver concrete benefits to poor people.

Similar questions are also relevant if agency support for 'good governance' is genuinely to strengthen the position of the poor. The interest of the World Bank and other donors in promoting good governance was initially rooted in their recognition of the salience of politics and the state in explaining the slowness of economic recovery in Africa at the close of the 1980s. This explains in part the lack of attention given to analysing potential linkages between improved governance and poverty reduction, as opposed to economic growth. Another part of the explanation lies in the uncritical assumption that good governance equals democratisation, which in turn equals more power for the poor majority, hence pressure for poverty reduction.

The United States, for instance, has Democracy and Governance programmes in nearly 90 countries, based on the assumption that citizen participation in the policy process necessarily helps to ensure policies that reflect the popular will. The Netherlands views improved governance as a means not only for strengthening the position of the poor, but for increasing the accountability of public spending which should ultimately benefit the poor. Finally, decentralisation of power and resources from central to regional and local government has also received increasing support based on the twin belief that it increases effectiveness and brings decision-making closer to the poor.

Yet, none of the linkages implied by these propositions appear to have been scrutinised very critically. One reason why this has not happened in the Dutch case is that micro and macro aspects of governance fall within the competencies of two different Directorates of the Ministry, a situation which is paralleled to a degree in the UK. This failure to articulate the potential linkages has undoubtedly limited the value of these political strategies as vehicles for poverty reduction.

An interesting step, therefore, is the one reported in the UK case study. A recent UK policy note, 'Focusing Governance on Poverty', commits DFID to a work programme that will identify:

- what kinds of political systems enhance poor and disadvantaged people's influence on state policy and practice;
- how governments can be reformed to raise resources and account for their use honestly;
- the politics of delivering basic services more equitably;
- how best to secure personal security and access to justice for poor people.

In investigating these questions, there is to be a new look at the 'deep structures' of political systems; at corruption (considered as an institutional rather than a cultural problem); at incentives in decentralised service delivery; and at the interface between informal and formal justice systems.

Apart from a commitment to re-examine easy assumptions in a difficult area, there is in this recent initiative a stress on understanding partner countries better and conducting dialogue openly with them. Relatedly, one of the reasons that political strategies have come to the fore recently is the growing concern of agencies to ensure ownership of programmes by developing country partners. This is discussed in more detail in Chapter 3.

1.3.3.1   *Rights-based Approach*

A further strategy concerns the increasingly influential 'rights-based approach' to development (e.g. Denmark, Finland, France, Japan, Norway, Sweden, Switzerland and the UK). This extends beyond the political, and is usually considered in terms of social, civil, political and cultural rights, and also group versus individual rights. There has been some advances concerning group rights, but although the issue is somewhat 'in vogue', few within the agencies are clear as to the operational implications of rights-based approaches. For some, a rights-based approach to poverty reduction implies greater emphasis being given to the voices, thoughts and culture of poor people. Thus, an HIV/AIDS control project would not view sex workers simply as instruments for epidemiological control, but as individuals with rights, and thus their health and livelihood security must also be addressed. For others, a rights-based approach implies working to meet *all* of the rights of *all* of the people.

Some officials consider that there has been too much emphasis, historically, on civil and political rights, and not enough on economic, social and cultural. This concern has been raised by UNDP, Sweden and the UK, for instance. A recent UNDP policy document adds that excessive emphasis has also been given to individual rights at the expense of community-level rights, and on the ideal of fully-protected rights (which are then understood as entitlements) and not enough on this being a goal, for all countries, that will only be attained over the long term (UNDP, 1998a). This remains contentious, however, with some arguing, for instance, that embracing the full gamut of rights weakens consensus around upholding political and 'human rights'.

However, current thinking in the development community gives little guidance on how scarce resources can best be prioritised through such a strategy in order to deliver maximum benefits to poor people. The practical implications of considering the poor not just as 'poor people' but as 'rights-holding citizens' are thus unclear. Many remain sceptical as to whether the

rights-based approach can provide an effective framework for programming interventions. These concerns, coupled with the growing emphasis on such an approach, suggests that clarification of how it can be operationalised is urgently required, drawing on lessons learned from the considerable work by lawyers on this issue.

1.3.4 Donors' Safety Net Strategies and Poverty Reduction

Safety net strategies to reduce poverty are defined in a variety of ways, but overall are less prominent in donors' approaches to poverty reduction. For some agencies safety nets are seen as a short-term measure, associated in particular with mitigating the immediate adverse effects of structural adjustment or natural shocks, whereas others see them as part of the long-term fabric of society. A good many donors, for example, consider their relief and emergency work as part of a safety-net strategy (e.g. Australia, Belgium, Norway, the USA). Others see safety nets in terms of a more formalised welfare state system and as a result consider them too costly for poor countries (e.g. Denmark, Netherlands, Norway). The IMF concept of safety nets as being 'to shelter the most vulnerable during difficult times' is probably the common denominator for those agencies that do have safety-net models (e.g. Germany, IMF, Japan, Portugal, the USA, World Bank). To this, Germany adds that safety nets should also prevent mass poverty, a view which is probably supported by other agencies, particularly in the light of the recent East Asian crisis.

Public works, targeted food distribution systems, food security programmes, health insurance, unemployment benefits and pension schemes constitute policies to provide social safety nets for those agencies with the most clearly specified models. Food security programmes are seen as particularly important poverty reduction interventions by a number of agencies (e.g. Belgium, Italy, Spain, UNDP, USA, and the World Bank). For the USA, which spends a significant proportion of its ODA on such programmes, poverty and food security are seen by many as coterminous.

The most important forms of safety nets for the poor in developing countries, particularly the poorest people in the poorest countries, are informal or traditional/indigenous social security systems which enable people and communities to cope in times of crisis. These include indigenous management of social relations for food security. Yet these appear to receive scant attention from donors and there has been relatively little analysis of what aid agencies have done or could do to strengthen or preserve existing safety-net structures and practices.

A number of important issues arise from this. It is not clear whether the social safety-net strategies adopted by agencies undermine or enhance informal or indigenous systems. Interventions like food aid clearly have the potential to work either way and research based on gender analysis shows that women's agency at the household and community level is usually integral to such social security systems. Secondly, some question whether the various prongs of the poverty reduction strategy may themselves undermine the social capital of the poor or provide them with greater security. Structural adjustment may, for example, result in increased differentiation among the poor. More generally, poverty incidence may be reduced by agency-government interventions but its depth for some may increase, putting more pressure on informal or traditional/indigenous social security systems. In addition, greater integration into markets can lead to greater risk as communities become more vulnerable to

exogenous or endogenous economic shocks (e.g. recessions), thus putting cyclical pressure on social security systems.

More recently, the concept of *social protection* has emerged in a number of agencies (e.g. Belgium, Germany, and the UK). This may be relevant in efforts to meet the IDTs on poverty. It refers to the notion of a social insurance and protection system to prevent mass poverty and to help those in poverty. It is tentatively defined as referring to policies and actions which enable individuals, households and communities to reduce their vulnerability to shocks, to manage temporary crises and, when their physical or mental capacity makes them dependent on others, to live with dignity and continue to contribute to society. However, work on this approach seems to be at an early stage.

Other agencies also stress the need to develop the institutions of civil society, promote local initiatives or give strategic support to local social processes (e.g. Belgium, Denmark, the EC, France, Ireland, Italy, Japan). Belgium, for example, is promoting the idea of 'societal consolidation' – local socio-economic initiatives based on cooperation rather than on profit-seeking (for example health insurance groups) to ensure the provision of social safety nets.

Overall, although safety-net strategies for poverty reduction have long been highlighted, the record of development agencies in implementing safety-net interventions has been very patchy. This is particularly so if examined from a poverty reduction perspective, since many have not had any particular focus on benefiting poor people (Healey and Killick, 1999).

1.3.5 Engendering Pro-Poor Policies

Until recently, macroeconomic policies have been assumed to be gender neutral. However, since the mid-1980s, there have been criticisms of both macroeconomic stabilisation and structural adjustment policies as being anti-poor and gender-biased because they ignore the unpaid production of human resources. It is now commonly accepted that macroeconomic policies are not in fact gender-neutral and that gender relations influence macroeconomic outcomes and hence the growth path itself. Human capital strategies designed to enhance growth and productivity, for instance, may be thwarted if the unpaid sector is not taken into account. For example, the increased demand for women's time in paid and unpaid activities has meant an increased bias against girls' education in some contexts, increased physical stress and, in some communities, a deterioration of the social fabric (World Bank, 1995). Assumptions about the elasticity of women's working time and the equal mobility of men and women in resource switching inform broader policy decisions and must therefore be documented, not simply asserted. Thus, agencies need to be aware not just of the gender implications of policy-making but, more importantly, that such an awareness should lead to policy choices and policy design being different as a result.

This applies to all four strategies identified above, though it is illustrated here initially with reference to economic strategies for poverty reduction at the macro, meso and micro levels.

1.3.5.1   Macro Level

It is important to keep in mind the distinction between paid and unpaid components of the economy. Examination of patterns of time use (and employment) indicate that the paid economy is relatively male-intensive and the unpaid economy relatively female-intensive. In low-income countries, approximately 75 per cent of women's work is in unpaid activities, such as informal agriculture. In addition, women's unpaid work in reproduction and family maintenance must be taken into account, and can be seen as a 'tax' which women are required to pay before they can engage in income-generating activities (Palmer, 1991).

'Tax' and gender-biased market distortions mean that many women are unable to compete equally with men in the market, and these factors need to be taken into account when formulating macroeconomic policies. For example, an increase in productivity or efficiency for the economy may also imply a shift of costs from the paid to the unpaid sector, affecting women's use of time. Adjustment policies can be directly linked to this labour tax on women since cuts in public social expenditures (e.g., health care) increase women's allocation of time to those activities previously carried out through state-funded goods and services (Elson, 1994). There is often the frequent assumption that the unpaid economy can always automatically compensate for any adverse changes resulting from macroeconomic policy, and that there is an unlimited supply of unpaid female labour which will continue to meet the basic needs of their families and communities.

It is clear from the donor case studies that although there is increasing recognition of the importance of taking account of gender inequalities in dialogue with developing country partners and when designing macro level interventions, many agency staff are unclear how best to achieve this. There is a need to develop better operational guidance on the gender dimensions of macro (and meso) pro-poor policies.

1.3.5.2   Meso Level

At the meso level, there is a need to focus attention on public expenditure to provide infrastructural services and the operation of markets that link households and firms into the national economy. The laws, norms and rules which govern public services and markets are not gender-neutral. Men and women have different entitlements and access in many respects. For instance, attempting to improve pro-poor productivity through agricultural extension services and training may, in practice, be inefficient because institutional norms at the meso level mean that most services are directed at men, even when women take the main responsibility for much of agricultural production. A common example of this is a lack of flexibility in the delivery of inputs or services.

As with macro-level interventions, although increasing numbers of agencies recognise the importance of considering gender linkages at the meso level, in sector-wide approaches for instance, it is far less clear that gender analysis is sufficiently informing their approach. Nonetheless, some agencies do explicitly attempt to incorporate a gender perspective into sectoral and meso-level interventions and, in some instances, to link this with poverty reduction. For example:

▪ Austria requires each sector to produce a paper showing how gender will be incorporated into its work;

▪ Finland emphasises that gender issues include law, culture, religion and politics;

- the IMF is working with the Ministry of Gender in Rwanda to reduce female vulnerability;
- Italy refers to gender as a cross-cutting issue for its health and environmental programmes;
- the UK has guidelines on how to address social development issues including gender in sector-wide approach programmes;
- the UNDP's country and regional gender experts advise on gender and entrepreneurship, land rights and violence against women.

1.3.5.3 Micro Level

The links between gender relations and the micro level (household, firm) are generally better understood and researched than more recent work at the meso and macro levels. At the micro level, men and women typically have different roles, responsibilities and powers within households and firms. Some donors (e.g. Ireland, the USA, and the World Bank) have evolved a gender-focused approach to micro-level interventions, micro-credit being a particularly popular instrument.

However, as shown in Section 1.2, poverty and gender issues are often conflated by agencies at this level and may not always assist poverty reduction efforts. In particular, they may lead to confusion surrounding targeting since, as noted earlier, 'not all women are poor and not all the poor are women' (Kabeer 1994 cited in Baden and Milward, 1996: 2).

1.4   Agency Perceptions of their Roles in Poverty Reduction

Introduction

Agencies have traditionally perceived their bilateral programmes, over which they have the greatest control, as the most important vehicles for achieving their development objectives, including poverty reduction. More recently, a number have recognised that making a substantial impact on poverty will require a far broader approach, whereby the agency (and its government) promotes poverty reduction though multilateral channels and by promoting consistency between domestic and international policies.

This Section considers what roles agencies perceive themselves to have in promoting poverty reduction through aid channels, bilateral and multilateral. Poverty reduction can be promoted either:

- **directly through bilateral projects and programmes** (examined throughout this Report);
- **indirectly through bilateral policy dialogue** with partner governments or civil society organisations in order to strengthen the pro-poor orientation and effectiveness of developing country policies, institutions and actions (see Chapter 3);
- **indirectly by influencing** the design and implementation of the programmes of **multilateral partners**, or by influencing multilateral dialogue with developing country partners (Section 1.4.1);

▪ **indirectly through international or Southern NGOs, or grassroots organisations** (Section 1.4.2).

Pro-poor policy coherence, within both developed and developing countries, is examined in Section 1.5.

1.4.1 Promoting Poverty Reduction Indirectly through Multilateral Agencies

For most agencies the focus of their work has traditionally been via bilateral assistance. In part this reflects, as in Switzerland, the domestic political context whereby public opinion prefers to see development assistance disbursed via national agencies, which are deemed to be more accountable than multilateral channels, over which national agencies have only limited control. Of course, agencies have themselves played a significant role in moulding public opinion concerning accountability. The issue of control over how funding is spent, especially in meeting particular donor development goals as well as wider foreign policy and trade considerations, means that a substantial amount of aid continues to be channelled bilaterally. However, anxiety about accountability appears to have diminished to some degree in recent years, with agencies increasing the proportion of aid which they disburse through multilateral agencies.[3] The multilateral share of total ODA rose from 26 per cent to 35 per cent between 1990 and 1997 (OECD, 1999). The UK Minister for International Development, for example, contrasts past resentment at the 'diversion' of UK resources into multilateral channels with a new mindset which considers influencing the World Bank and other multilateral institutions to be the 'biggest prize' in efforts to meet the UK agency's goal of poverty reduction.

Some smaller donors have argued that, as relatively minor players on the international development stage, they have limited influence within multilateral development organisations, particularly in strategic decision-making processes. In the past, this has been used as an argument to bypass such institutions. However, increasingly some smaller donors such as Belgium, Denmark, and Switzerland, seem to be adopting the position that such a lack of resources justifies working through multilateral institutions where, through careful collaboration with other 'like-minded' donors, they can actually achieve greater impact. For donors like Belgium and Denmark, such 'like-mindedness' is seen as including not just overall development objectives but also approaches to poverty reduction, in this instance, sector-based. Belgium, for instance, is looking at opportunities for co-financing with other donors, as a means of achieving greater influence on development.

There seems to be a trend in some agencies to try to improve and increase the interaction between bilateral and multilateral assistance for poverty reduction both within and between agencies. The UK's DFID, for example, describes its bilateral programme as part of the 'learning base' which informs its dialogue with its partners. The Swiss and the Finns make similar claims, arguing that the quality of their bilateral work and the lessons learned enable them to 'punch above their weight' in multilateral policy discussions, particularly at the country level. This is particularly important when vying for influence against the bigger donors, whose large budgets make them the 'heavyweights' in multilateral arenas. Without

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[3] This should not be exaggerated, however, since for many European agencies the increased multilateral share results from an obligation to commit a certain share to the European Community aid programme.

the experiences obtained from their own bilateral programmes, some agencies feel they would have no credibility in trying to influence the policies and approaches of multilateral institutions. Similarly, both the Danish and the Irish argue that their role within multilateral fora is based upon their operational focus on, and specific knowledge of, sector-wide approaches. This gives them a particular expertise, for example, in dialogue on sectoral policy.

However, within many donors there are factors which inhibit their effectiveness in promoting poverty reduction through multilateral agencies. An institutional separation of responsibility for bilateral and multilateral channels, or a divorce between policy and operational staff, has often limited the ability to influence a pro-poor influencing agenda. In Austria, as with some other donors, the lack of a unified development agency responsible for both bilateral and multilateral aid has also hindered the ability to learn lessons and share experiences in the use of the different aid channels. The Austrian case study suggests that a greater interaction between bilateral and multilateral departments would be helpful in improving the quality of donor contributions to policy discussions and hence the impact of individual agencies within multilateral fora. The Danish study argues that Denmark's influence within multilateral fora has been diminished by a dearth of officials in its multilateral departments who actually have country-level experience. Greater involvement by bilateral donors in multilateral policy discussions is also likely to yield gains in overall donor coordination and improved coherence in both bilateral and multilateral programmes.

Clearly, some bilateral donors do perceive themselves as having a role in scrutinising the effectiveness and poverty focus of multilateral institutions, and consider this a key mechanism for achieving a greater impact on poverty. A further example of this is the work of the Special Programme for Africa Poverty and Social Working Group. The Working Group has been very critical of the limited extent to which the World Bank's Policy Framework Papers have actually taken account of its Participatory Poverty Assessments, and the limited extent to which developing country governments are genuinely involved in their preparation. It has sought to put the Bank on notice that it is being scrutinised, and has sent its annual review to the Bank's senior managers. While the reaction has been rather defensive, it does represent an increase in dialogue and there is a feeling amongst some donors that there has been some improvement in the poverty focus and degree of participation in the Policy Framework process as a result (UK case study).

The Nordic donors have traditionally devoted a high share of ODA to multilateral channels and coupled this with efforts to influence the multilateral agenda in a pro-poor direction. Norway, for example, has consistently tried to pursue certain key issues by means of active participation in the governing bodies of multilateral institutions, often combined with the use of earmarked funding to promote prioritised issues. One official in the Ministry of Foreign Affairs expressed it this way: 'Norway allocates its financial contributions to those UN agencies that have a poverty focus, and then makes an effort to make these agencies even more poverty focused'. This forms part of what the Danes call 'active multilateralism', the purpose of which is to put pressure on multilateral institutions to give higher priority to poverty reduction and to increase contributions to organisations with efficient and poverty-orientated programmes.

1.4.2 Promoting Poverty Reduction Indirectly through NGO Channels

As well as direct government-to-government assistance, a number of agencies provide indirect bilateral assistance by channelling money not through partner governments but through international or Southern NGOs. Many donors think NGOs understand the local context of poverty better than governments or aid agencies and are thus better placed to reach the very poorest. They are perceived as working at the grassroots level following a more participatory approach, and therefore as being be closer to the poor and to having a better understanding of their needs. NGOs are also seen as being able to supply specialist skills not available within particular donor agencies. In addition, indigenous NGOs can be important channels of cooperation where the partner government is not considered to be pro-poor, or where effective dialogue with partner governments is difficult because of political instability (e.g. Australian support for NGOs in South Africa under apartheid, or US programmes in Nepal). National and international NGOs may also be favoured over governments where the latter are seen as having weak capacity to deliver services to the poor despite their commitment to poverty reduction (e.g. World Bank health sector work in Uganda). For some donors, such as Belgium, Switzerland and the USA, NGO funding is a politically popular aid channel, with NGOs favoured by the public as reliable and trustworthy partners.

This assumption that NGOs are more effective in directly reaching the poor has not, however, been widely substantiated. A number of studies of development assistance channelled through NGOs in the Netherlands found little evidence for any distinction between direct and indirect bilateral aid in its impact on the poor (Schulpen, 1997; IOB, 1998). The Belgian policy of channelling close to 30 per cent of its funding through NGOs may in some respects make it harder for the agency to achieve a poverty focus. This is because Belgian NGOs have historically had a high degree of autonomy in their relationship with the Belgian development agency, and may thus be resistant to a poverty reduction agenda which is perceived as being imposed by the Belgian Government. The Government has, nonetheless, promoted greater policy coherence among NGOs, including on poverty reduction policy. Given that many development agencies have themselves sharpened their efforts to reach the poor, there is a need for more research on the effectiveness of non-governmental channels.[6]

The United States, which also has a goal of channelling 40 per cent of assistance through NGOs, can be seen as contracting NGOs as implementers of its own policy, with many agency staff becoming administrators – a policy which undoubtedly has contributed to some loss of direct contact with the poor in the field. Similar difficulties have been encountered by other donor agencies, such as Luxembourg, whose entire bilateral aid portfolio is implemented by NGOs.

For some donors, such as Australia, Norway, the UK and the USA, local partner organisations in the South are increasingly considered to have an important role in poverty reduction. Support for such organisations is viewed as an effective way of promoting empowerment at the grassroots level. The UK seeks to achieve this by reinforcing the capacity of Northern NGOs to work with Southern NGOs to strengthen civil society, both by enhancing the quantity and quality of information available to poor people and by promoting their voice in local decision-making processes.

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[6] This would need to take account of existing research; e.g. Riddell (1996) and Schulpen (1997).

The extent to which support to Southern NGOs enhances empowerment, however, is likely to be dependent on how far Southern NGOs are linked to grassroots organisations. Otherwise they are likely to be fulfilling a service delivery type function only. No matter how effective intermediary NGOs might be in this respect, no sustainable local poverty-reduction process is likely to take place without the poor having their own institutions and being in control. There may be no correlation, therefore, between the proportion of funds a donor channels though its country's and developing country NGOs and how much support for self-empowerment is provided. There are examples of donors going beyond the category of institutions normally referred to as NGOs, to support organisations rooted in the local context. These include agencies supporting SEWA in India, the movement NAAM in Burkina Faso, the 'poverty hearings' in South Africa, the 'hunger campaign' in Brazil, and the independent media in the Philippines.

1.5   Promoting Pro-Poor Policy Coherence

1.5.1 Examples of Policy Inconsistencies

The main focus of this study is on the poverty-related concepts, management, and practices of development aid agencies in the industrialised countries. However, with increasing globalisation, it is increasingly recognised that processes outside of domestic resources and of the sphere of development cooperation are likely to have a greater impact on the social, economic, and political well-being of many developing countries and on their citizens, including the poor.

Private transfers to developing countries now exceed public transfers by a factor of more than three to one. While volumes of official development finance have remained more or less static in current dollars at about $70-80 billion since 1990, private flows soared from $44 billion to over $250 billion from 1990 to 1997 (DAC, 1999: 47). The vast majority of these private transfers still go to a small minority of better-off countries. Nonetheless, as global interdependence grows it is clear that opportunities to escape poverty will increasingly be determined by decisions made by international and national fora with regard to foreign, finance, trade, investment, agricultural, labour, and environmental policies. The extent to which developing countries are able to capitalise on the opportunities provided by globalisation depends in part on the extent to which international and developed country policies and practices are equitable and cognisant of the needs of poor countries.

Currently, there are many examples of inconsistency between developed country or international policies across a range of domains and the goal of poverty reduction. They include:
- ministries of trade promoting trade liberalisation, while their aid agencies lack the mandate or capacity to build developing country capacity for trade negotiation or analysis;
- ministries of finance promoting investment liberalisation by developing countries, while ministries of trade impose import quotas when investments in recently liberalised partner countries increase their exports to developed countries;

- global summits calling for the halving of the numbers of the world's food insecure, while agriculture and natural resource skills are cut within aid agencies.

Similarly, many European development officials would contend that despite the coherence mandate contained within the Treaty on European Union, the EU's Common Agricultural Policy is inconsistent with the poverty reduction goal of EU development policy.

1.5.2   The Record of Developed Country Governments

This lack of policy consistency with respect to the goal of poverty reduction is recognised in the Development Assistance Committee's *Shaping the 21ˢᵗ Century* document, which calls for an overhaul of policy-making in developed countries, aiming 'for nothing less than to assure that the entire range of relevant industrialised country policies are consistent with and do not undermine development objectives' (DAC 1996: 18). The April 1998 OECD Council confirmed support for the notion of policy consistency in the areas of trade, investment, and development '…to help developing countries secure sustainable development, assemble the necessary financial resources and integrate successfully into the global economy' (DAC 1999). A report on policy consistency is currently under preparation at the DAC for the 1999 Ministerial Council.

Yet despite these efforts only a minority of development agencies and their governments appear to have taken concrete steps to ensure that their domestic policies, and their position in negotiations on internationally agreed policies, are consistent with the goal of poverty reduction. Indeed, only a minority of development agencies have clear policies which state their clear *ambition* to work for such consistency. One such example is the UK, which in its recent White Paper on International Development, committed itself to ensuring that the full range of Government policies affecting developing countries takes account of its sustainable development objective. Specifically, it pledges to focus its policy coherence efforts in four areas: the environment; trade, agriculture, and investment; political stability, social cohesion, and conflict prevention; and economic and financial stability. These efforts to promote coherence have resulted in some agencies seeing the UK as providing an example of best practice. In the eyes of some agencies, these efforts reveal the UK as an example of best practice in this area.

Finland has made a similar pledge for greater consistency with the goal of poverty reduction (see Box 1.7). Belgium also considers that the policies governing non-aid channels must be consistent with developmental (though not specifically poverty reduction) objectives. To this end, it established a working group composed of offcials from across ten government departments. The Netherlands has taken some steps to prevent development being the poor relation of foreign policy, and thus to achieve greater consistency. The government has called for the 'decompartmentalisation' of ministries and departments with the objective of improving policy consistency and coordination across ministries and with society at large.

In the United States, intra-governmental policy consistency is sought in the area of international food security. In 1998 an Inter-Agency Working Group, consisting of representatives from the State and Agriculture Departments and the US Agency for International Development, worked together to prepare a strategy in support of the 1996 World Food Summit target to halve the world's food-insecure (Stryker and Metzel, 1998). The strategy supports action at international, national, sectoral, and household/intra-household levels, including, *inter alia,* global negotiations regarding trade, intellectual property rights, peacekeeping, and other issues relevant to food security; national programmes for the promotion of democracy; agricultural technology transfer and extension; and targeted programmes for increasing the income-earning potential of poor households via maternal and child health care, microenterprise and food for work, and women's education.

For the European Union, the issue of policy coherence with the broader international policy environment affecting poverty in developing countries has high visibility in the 1992 Treaty of Maastricht.

Box 1.7
Finland's Comprehensive Policy on Relations with Developing Countries (1998)
Aim: to promote processes to help the poorest people and poorest governments to benefit from globalisation.
Five objectives of the Comprehensive Policy:
1) global security
2) poverty reduction
3) human rights and democracy
4) the environment
5) economic integration.
The policy focuses on the coherence of development assistance in the broader international policy environment, with poverty reduction becoming a major objective of Finnish foreign policy. Coherence between the different areas, tools and fora of foreign policy is one of the key objectives of the new Comprehensive Policy. The government claims that it is seriously committed to trying to rethink all forms of Finland's foreign affairs to ensure that Finland's policies and actions – e.g. in global trade and environmental policy negotiations, in multilateral EC, UN and Bretton Woods institutions and in bilateral development cooperation – will promote the same objectives, with the reduction of global poverty being central among them.
Source: Finnish Case Study

As a regional bloc, originally constituted on trade integration grounds, the EU has a particular interest in, and legal competence for, the trade-related issues facing developing countries. For instance, it is concerned with improving cooperation among developing countries in regional cooperation and integration fora.

1.5.3 Constraints Hampering Policy Consistency for DAC Members

The ability of individual agencies to argue for coherent positions in the broader international policy environment depends critically on the strength of the agency within its own national policy framework. The political weakness of national development cooperation agencies has undermined their ability to achieve nationally coherent positions let alone their ability to argue for coherent positions, on the international stage. Given a growing recognition by donors that poverty is a phenomenon with international causes, in particular associated with multilateral trade and investment issues, the ability of development agencies to influence these non-aid agendas is critical in developing effective overall poverty reduction strategies. Where the minister responsible for development cooperation has a seat in the cabinet or is

afforded a substantive input into trade, foreign policy and other non-aid issues, there may be greater scope for using non-aid channels to address poverty reduction issues and ensure consistency.

1.5.4 Consistency of Developing Country Policies with Poverty Reduction

Consistency of industrial country and international policies with the goal of poverty reduction clearly needs to be matched with similar consistency at the developing country level. There are a similarly daunting number of examples of inconsistencies within developing countries including:

- penalising exporters or cash-crop producers through overvalued currencies, despite having national trade promotion objectives;
- lack of action to diminish road, rail and seaways barriers to regional trade, alongside formal commitments to achieving greater regional integration;
- individual profit by government members profiting from development assistance flows, despite national commitment to tackling poverty reduction.

These kinds of policy inconsistencies also threaten to undermine the self-same developmental processes supported by both developed and developing country partners. The continuance of glaring inconsistencies has encouraged an increasing number of agencies to consider 'aid selectivity', whereby scarce aid resources will be allocated to those partners seen as working towards pro-poor policy and practice (see also Chapter 3).

1.6 Conclusions

The vast majority of development agencies set out their **formal commitment to poverty reduction** by identifying it as their overarching goal or as one of their two or three overarching goals. By clarifying the priority attached to poverty reduction objectives relative to others, this kind of explicit commitment can help strengthen incentives to prioritise poverty reduction and assist its mainstreaming. Nonetheless, in some senses all agencies can be seen as having an implicit commitment to poverty reduction, as all have subscribed to the International Development Targets.

In addition to identifying poverty reduction as an overarching goal, a minority of agencies go on to articulate the **potential linkages between their operational objectives and benefits for poor people**. This process of articulation should lead naturally to a consideration of how these linkages can be strengthened, and whether complementary actions are required to ensure that the poor share in the benefits of an intervention. However, a comparison is needed of the aims and operational objectives of donors with an overarching goal and which articulate such linkages with those who do not reveal considerable similarities. All support interventions that aim directly and predominantly to focus on the needs of the poor, actions which benefit the poor indirectly, and structural measures underpinning growth to create an enabling environment for poverty reduction. That said, the legitimacy of the linkages made between agency objectives and benefits for the poor are sometimes contested by developing country stakeholders, academics and practitioners.

The way in which agencies **conceptualise** poverty can assist them in developing poverty reduction strategies and ensuring their successful operationalisation in developing countries. This conceptual framework involves defining the nature of poverty, its causes and how the poor can best be identified and targeted for assistance. All agencies now embrace a multi-dimensional definition of poverty, though the weight they attach to different dimensions varies. In contrast to the early 1990s, the majority of donors consider the right to individual dignity, autonomy and social inclusion to be an important dimension of poverty. Similarly, far more agencies than in the past demonstrate an awareness of the *dynamics of poverty*, that poverty may not be a permanent state and that people move in and out of poverty, often as a result of seasonal or random shocks.

However, there is some confusion within agencies concerning the causes and effects of poverty. In part, this is due to the complexity of the phenomenon, but it also results from a lack of conceptual clarity. This might be redressed by a greater focus on the **processes of poverty**, whereby cause and effect are examined simultaneously. Very few agencies explicitly address the different levels at which the causes of poverty may be found and the connections between those levels. Making such links may be important in order to clarify the agencies' underlying understanding of social processes and also to help focus activities in concrete contexts. Finally, whilst many donor agencies can give a long list of very different and, on the face of it, equally important causes of poverty, there is little discussion of their relative importance and the linkages between them.

The donor case studies highlight the fact that **identification and targeting of the poor** by donors is often broad-brush, with a tendency to treat target populations as homogeneous socio-economic groupings. This often applies to gender and poverty issues, which some agencies equate, failing to recognise that not all the poor are women and not all women are poor. Whilst a number of agencies identify vulnerability as a dimension of poverty, very few seem to explore this issue in any depth in relation to targeting for poverty reduction. However, agencies need to focus on both entries into and exits from poverty if they are to reduce the overall numbers of the poor. This requires a much broader understanding of poverty processes and an ability to identify not just the currently poor but those groups that may be vulnerable to becoming poor. Overall, to convey a real sense of the multi-dimensional and interlocking constraints which the poor experience and which poverty-reducing efforts have to confront, a more comprehensive social analysis is required which allows agencies to develop a greater understanding of poverty and gender dynamics and to better identify the poor and vulnerable.

Although agencies have clearly improved and broadened their understanding of poverty in recent years, many are still grappling with translating this into effective action on the ground. Agencies recognise the potential value of a multi-dimensional definition in directing attention to the wider issues of social exclusion, whereas narrower income/consumption definitions may result in the underlying socio-political causes of poverty being neglected. However, in practice multi-dimensional definitions sometimes generate little more than a taxonomy of characteristics of poverty, and their very breadth leads to difficulty in separating the poor from the non-poor at the operational level. Some agencies seek to resolve this by retaining a multi-dimensional understanding of the causes of poverty, but adopting a narrower definition for operational purposes. Although not all agencies have an entirely rigorous multi-

dimensional conceptualisation of poverty, the priority concern is how existing multi-dimensional approaches can be more effectively operationalised.

The broadening of agencies' conceptualisations of poverty is reflected in their **strategies** for its solution. None has a single, underlying strategy, but rather they adopt a 'mix and match' approach which aims to prioritise different strategies according to the country context. These usually combine a range of economic, social, political and safety-net aspects.

All agencies see **economic growth** as important for poverty reduction, but most attach the condition that growth should be 'pro-poor' or broad-based. However, there is much uncertainty as to what 'pro-poor' growth actually is and what its implications are for actual donor interventions. Given the centrality of growth strategies for poverty reduction, clarifying how 'pro-poor' growth can be operationalised would appear to be a priority. A further gap relates to the relationship between distribution and growth, which is glossed over by many agencies. Although some support the redistribution of human capital or of future income, few have a clear position on the role agencies might play in the redistribution of natural assets such as land.

Gender analysis of economic growth and processes of accumulation should be linked to agencies' poverty reduction strategies. Gender relations influence the growth process through their impact on macro aggregates, meso institutions and the actions of economic agents at the individual and household levels. Addressing gender can thus have a strategic and indirect effect on poverty, but it is *not* necessarily identical to addressing poverty. Some agencies have made some progress in developing a gender-focused analysis for micro-level interventions; however, at the meso and macro levels, greater efforts need to be made to draw out gender-policy linkages and to address their implications for poverty reduction interventions.

Social sector investment, particularly investment in basic social services, figures in all agencies' poverty reduction strategies. Several agencies see having a strong gender component in their social sector work as key to the success of their strategies, though often from the mistaken belief that addressing gender concerns is synonymous with poverty reduction. Attention to redistributive aspects needs to go beyond an attempt to address gender inequalities, important as these are, to include a broader analysis of socio-economic inequalities. Virtually all agencies identify social sector investment as both promoting human capital development and, as a result, productivity and economic growth, as well as having intrinsic value. Only very few agencies talk about any trade-off between spending in economic and social sectors and the problems of overemphasising public investment in either sector which may lead to a decline in human development or economic growth respectively. Social sector investment strategies sometimes fall into the trap of assuming that the same approach will be universally suitable in countries where 'everyone' is poor. However, even in 'mass poverty' countries important socio-economic differences and thus constraints exist which may limit the extent to which the poorest benefit from a 'one size fits all' approach.

Political strategies have become far more influential over the course of the 1990s, at least at the level of rhetoric. Many agencies have come to see increased participation of the poor as an essential accompaniment to economic and social strategies, in order to ensure that policies are pro-poor. Yet few agencies are clear on whose participation is being sought and what kinds of participation are most likely to benefit the poor, whose views may easily be drowned

out. Some agencies now consider good governance approaches to be an essential component of an overall strategy to reduce poverty. Yet this is often based on an easy assumption equating governance and democracy with greater power to the poor majority. Paralleling this is agency support for decentralisation strategies which are believed to bring decision-making closer to the poor. Such linkages need far closer scrutiny if political strategies are to bring concrete benefits to the poor. Similarly, the growing rhetoric on a rights-based approach to poverty reduction requires closer examination if it is to provide an effective framework for operations.

Safety-net strategies to reduce poverty are less prominent in agencies' approaches to poverty reduction. For some, safety nets are seen as a short-term measure particularly associated with mitigating the immediate adverse effects of structural adjustment, whereas others regard them as part of the underlying fabric of society. Although traditional or indigenous social safety net systems are often the most important safety net systems for the poorest people, donors appear to have attempted little analysis of what they can do to strengthen or preserve existing structures and practices. Indeed, some donor interventions may be worsening the poverty situation by undermining such systems. A few agencies, however, are developing ideas in this area, looking particularly at supporting and developing local institutions and social processes in order to reduce vulnerability. There appears to be a strong case for reassessing the role of safety-net approaches as part of a poverty reduction strategy, and identifying more clearly the role which external agencies can usefully play.

Development agencies increasingly recognise that maximising their impact on poverty requires them to go beyond their traditional role of providers of bilateral project aid. This has led some of them to adopt various types of **'influencing agendas'** designed to promote poverty reduction indirectly through their partnerships with multilateral agencies and in their own dialogue with developing country partners. More significant still is the weight given by many to promoting domestic and international **policy coherence** with the goal of poverty reduction.

The increase in the share of development cooperation channelled through **multilateral agencies** has been accompanied by an appreciation of their potential as powerful agents for promoting pro-poor change. Some agencies, such as the Finnish, Swiss and UK, consider that one of the main purposes of their bilateral programme is to inform their dialogue on poverty with multilateral and developing country partners. However, the institutional separation of responsibility for bilateral and multilateral channels within donor countries, or the barriers between policy and operational staff, has limited the ability of some to pursue a pro-poor influencing agenda.

A further mechanism for increasing the impact of development cooperation involves channelling resources through international or southern **NGOs**. This is based on the belief that NGOs are better able to reach the poor because they have a better understanding of the local context of poverty. Although it may well be the case that some NGOs have particular advantages over official donors and governments, their effectiveness as instruments to benefit the poor deserves closer scrutiny. There may be an argument for channelling more resources through Southern NGOs, where the support itself may be regarded as contributing to poverty reduction by promoting grass-roots empowerment and local ownership. This depends, however, on the extent to which Southern NGOs are in fact well-informed about development and the grassroots people they purport to be helping.

The DAC's *Shaping the 21ˢᵗ Century* document reflects and, to some extent, has driven renewed concern in the importance of ensuring the **coherence** of industrialised country policies with the goal of poverty reduction. This is borne out by a growing understanding of how the agricultural, trade, investment and other policies of OECD countries can limit the scope for developing countries to capitalise on the opportunities afforded by globalisation as well as increasing the risks associated with growing international economic integration. Yet despite the positive steps taken at the OECD level, only a small minority of agencies and their governments have taken concrete steps to ensure that their domestic policies and their position on international policies are consistent with poverty reduction. This largely stems from the political weakness of development cooperation agencies, which limits their scope to lobby other domestic ministries. Similar efforts to achieve policy coherence are also required at the developing country level, where inconsistencies threaten to undermine pro-poor developmental processes.

2

Mainstreaming Poverty Reduction

2.1 Introduction: Spheres for Mainstreaming Poverty Reduction

The mainstreaming of poverty reduction implies that poverty reduction objectives of agencies are taken into account in **all activities** and at **all organisational levels**. If development cooperation is to make a substantial contribution to reducing poverty, agency strategies for mainstreaming must consider the three levels or spheres depicted in Figure 2.1.

Figure 2.1   Spheres for Mainstreaming
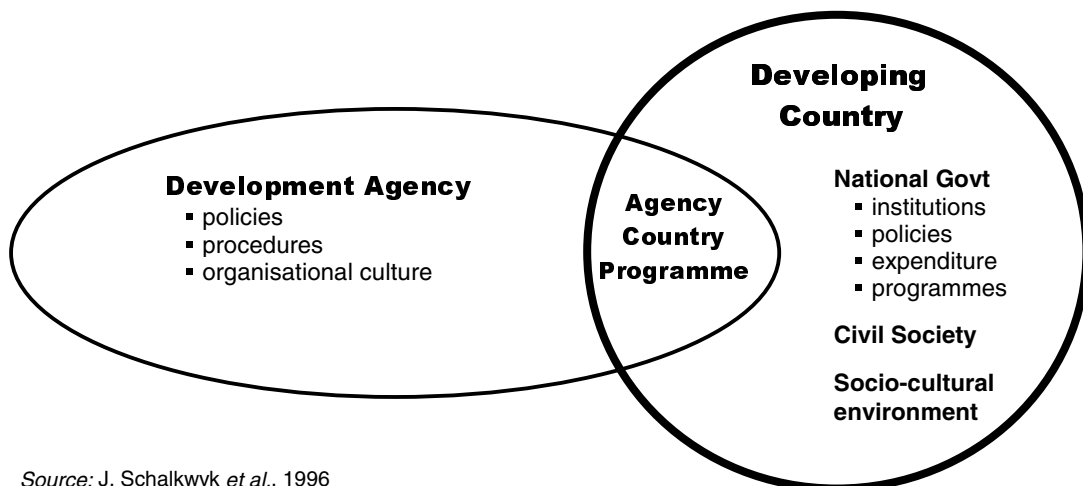
Source: J. Schalkwyk *et al.*, 1996

Figure 2.1 indicates that when seeking to ensure the mainstreaming of poverty reduction, the development agency must take action in all three spheres:

- agency policies, procedures and organisational culture;

- agency country assistance strategies and their associated portfolio of interventions;

- in dialogue with developing country partners (government and civil society) to effect changes in institutions, policies, public expenditure, national programmes, and in the socio-cultural environment.

Strategies to promote the mainstreaming of poverty reduction within the development agency itself are considered in the rest of this Chapter, while Chapter 3 considers the extent to which it has been mainstreamed within donor country programmes. It is easy to forget, when focusing on internal agency mechanisms for mainstreaming, that it is change within the third sphere – the developing country level – which really counts. Improvements in agency policies

and procedures and in agency country-programmes can only contribute so much. The actions of national and local governments, of actors within civil society, and changes in the socio-cultural environment and power relations, will determine overall success or failure in meeting the needs of the poor. Agencies interface with this third sphere both through their programme of interventions and through dialogue with developing country partners. The degree to which donor dialogue and partnerships focus and contribute towards poverty reduction is also considered in Chapter 3, particularly Section 3.2.

2.1.1   Assessing Poverty Mainstreaming within Development Agencies

There can be no single 'right way' to mainstream poverty reduction. What works in one agency may not work in another, unless adapted to its political and cultural context and its capacities. Nonetheless, a range of factors *can* be identified from the donor case studies, which are often found to contribute to mainstreaming. These can be considered under four headings:

- do agency incentives reward efforts to promote poverty reduction? (Section 2.2)
- is the agency organised for poverty reduction? (Section 2.3)
- has the agency effectively mainstreamed gender as a dimension of poverty? (Section 2.4)
- does the agency have poverty-oriented monitoring and evaluation systems? (Section 2.5)

2.2   Do Agency Incentives Reward Poverty Reduction?

Given the prominence of poverty reduction objectives in the vast majority of agencies, it is surprising that the structure of incentives and rewards is not seen as being tied in with the poverty reduction goal. Positive incentives to prioritise poverty reduction activities are a key part of the mainstreaming process. In part, this is because poverty-oriented interventions are seen by many officials as being more complex, data-intensive, time-consuming and risky, although the evidence is mixed on this (e.g. Carvalho and White, 1996). At least as important is the absence of counter-incentives which place other considerations before poverty reduction. Naturally, it would be naïve to expect that benefiting the poor is the sole concern of a country's development assistance programme. Depending on the domestic political context, development programmes are bound to respond *to some degree* to foreign policy interests, commercial pressures, and other development-related priorities, such as the environment. What is essential for effective mainstreaming is that the overall balance between positive incentives and counter-incentives is favourable to poverty reduction.

The record is a disappointing one. One positive finding stands out: the senior management of just over half of all agencies are perceived to be strongly committed to poverty reduction (see Section 2.2.1). Otherwise, the case studies reveal only a very modest number of positive incentives to prioritise poverty reduction. In many agencies, there is a broadly positive attitude to making poverty reduction a major priority, but there are no instances of success (or efforts) in this area playing a fundamental role in staff appraisal or promotion procedures, for instance. In a number of agencies, screening processes at the project, programme or country strategy

level do specifically focus on the poverty reduction 'content', though the degree to which poverty reduction is prioritised over other objectives (e.g. the environment or gender equality) varies (see Section 2.2.4). Potentially, monitoring and accountability systems could generate a huge impetus in favour of poverty reduction by making it possible to identify and reward success in this area. A number of agencies are indeed putting more emphasis on monitoring performance against poverty reduction goals, but this remains patchy and disappointing (see Section 2.5 below). One of the constraints in attempts to implement quality and performance-based incentives tends to be the rapid turnover of staff between jobs within the agency.

The counter-incentives which prioritise issues other than achieving poverty reduction impacts are clearer. They include:

- rewarding rapid disbursement of funds over and above achieving an impact on poverty

- expecting managers to work under time pressures which squeeze out poverty concerns

- diplomatic incentive systems which have little relation to poverty reduction objectives

- a multiplicity of objectives which crowd out poverty reduction

- failure to include poverty reduction issues and / or expertise in terms of reference for consultants

- lack of a requirement to promote poverty reduction through working with multilateral agencies.

These issues are examined in turn below.

2.2.1 Senior Management Commitment to Poverty: Top-down is Good

The degree of senior management commitment to poverty reduction can make a major contribution to creating a culture of commitment within an agency. This is a case where clear top-down messages are an invaluable support in making rhetoric a reality. Regular statements, speeches, and memoranda by senior officials have an important role in creating a climate of commitment to poverty reduction and making it more likely that appropriate guidance and management systems will be developed. These top-down messages are important in creating an atmosphere where the *expectation* is that poverty reduction concerns will be dominant. It is essential that messages are effectively communicated beyond headquarters, particularly where agencies are highly decentralised, so that officials in the field are as aware of the commitment as those at the centre. Ironically, despite increasingly sophisticated electronic conferencing and other communications, this may call for more regular visits from senior officials to country offices, seen by some as a particularly effective way of communicating genuine commitment.

Top-down messages are especially important at the present time, since a number of agencies have begun to place more emphasis on poverty reduction in their formal statements (e.g. Australia, Belgium, Denmark, European Commission, Finland, Ireland, Japan, Spain, Sweden, UK and the World Bank). UK officials argue that unambiguous commitment contributes to poverty reduction mainstreaming in three ways:

- by stimulating an *overhaul of management and information systems* to centre them on poverty;

- by providing ammunition for the *already committed* officials to argue their case and enabling them to reject activities without a plausible poverty link;

- by obliging those who are *bureaucrats first and poverty reducers second* (or third) to give greater weight to poverty reduction.

The case studies reveal considerable variation in the extent to which officials perceive senior management to be unambiguously committed to poverty reduction. Figure 2.2. suggests that senior management commitment is seen as strong in about half of the 25 agencies for which a judgement is possible. Not surprisingly, there is a strong correlation between perceived commitment and whether poverty reduction is a formal, overarching goal for the agency. Thus, in many of the agencies with no explicit poverty goal there is no strong drive from the top to prioritise poverty reduction (e.g. Directorate General IB of the European Commission, France, Italy, Portugal, and Spain). Often the commitment of senior management varies considerably within the same agency and therefore generalisations are flawed (e.g. Canada).

Demonstrated *senior* management commitment helps create a culture favourable to poverty reduction, but in some agencies the attitudes of more junior staff may be just as influential. This is the case in Japan, where a positive attitude towards prioritising poverty reduction is more widespread among younger staff.

On a cautionary note, senior management zealotry can be counterproductive to the genuine mainstreaming of poverty reduction. Unrealistic expectations may generate lip-service rather than real commitment from staff, with country programme managers engaging in the re-labelling of interventions as poverty-focused rather than a careful reassessment of how the agency can respond more effectively to the needs of the poor. There is some evidence of this occurring on a limited scale within the UK programme in the wake of the 1997 White Paper on eliminating poverty.

Figure 2.2
Perceived Senior Management Commitment (number of agencies)

Strong (13)
Moderate (7)
Weak (5)
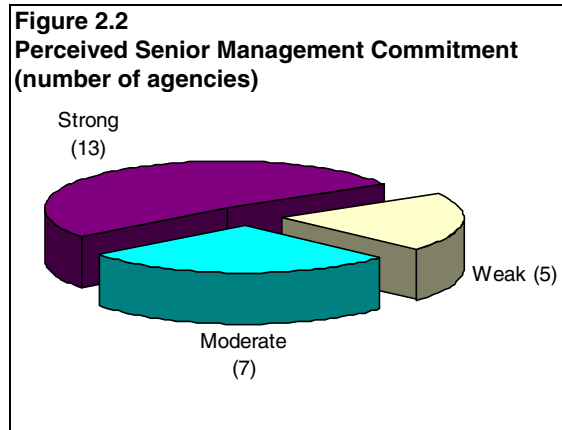
2.2.2   Disbursement, Time and Staff Pressures

Effective poverty reduction efforts often require careful poverty assessments, a participatory approach, and an emphasis on partnership. They are often seen as complex. There may well be a natural tendency, therefore, among managers to seek to avoid becoming 'bogged down' in ensuring that interventions have a clear focus on reaching the poor. All too often even those committed to going the extra mile on poverty reduction face strong disincentives generated by the premium placed by most agencies on achieving a rapid disbursement of aid funds. This is highlighted in the studies for Denmark, The EC, Ireland, Japan, Sweden, the UK, and the World Bank, although it is undoubtedly important in the vast majority of agencies. The perception within the World Bank, paralleled elsewhere, is that task managers are assessed in reality (if not formally) according to how much money they lend, and not on achieving any particular allocation across sectors, nor impact on poverty.

Disbursement pressures tend to reduce the time available to managers to tailor interventions to the particular characteristics and causes of poverty. Given the weight accorded to poverty reduction goals in much agency rhetoric, it is surprising that the ratio of staff to size of aid programmes is not more generous, thereby increasing the potential to deliver on the agencies' poverty pledges. In the case of Australia, it is hoped that disbursement pressures will be reduced following the introduction of outcomes and outputs-based accrual budgeting in the 1999-2000 financial year. This is intended to shift the focus from expenditures to the development outcomes.

2.2.3 Incentive Systems Related to the Diplomatic Service

In some agencies a significant role is played by diplomatic service personnel, particularly in embassies in developing countries. In such cases the reward and incentive systems for personnel, including promotion prospects, are unlikely to be closely related to success in promoting poverty reduction (e.g. Finland, Ireland and Sweden). As well as facing possible counter-incentives related to other responsibilities, diplomatic staff often rotate frequently and do not spend large portions of their careers in development work (e.g. Italy). This militates against the accumulation of country-level knowledge, such as the nature and causes of poverty and the political context and opportunities for its reduction, which make for greater effectiveness.

2.2.4 Multiple Objectives Crowding Out Poverty Reduction

Development agencies are creatures of fashion. They have tended to respond to the latest insights into development by bolting on new objectives. Recently, significant emphasis has been placed on taking particular account of the needs of children (e.g. Sweden), where the risk is that the new objective overshadows existing priorities. Where objectives have been accumulated without specifying their place in the overall hierarchy this has, over time, created uncertainty as to their respective weights. The great range of objectives that country programme managers have to consider in most agencies may well be a disincentive to giving special emphasis to any one of them (e.g. Canada). Multiple objectives may also result in desk officers having to consider too many perspectives during pressured project preparation phases (e.g. EC). This lack of clear prioritisation by senior management, which occurs in many agencies, is an example of the permissiveness of management systems, potentially undermining the drive for poverty reduction. Australia and the UK are examples of countries where there has been a some shift from multiple objectives towards a concentration on a cardinal objective of reducing poverty through sustainable development.

2.2.5 Poverty Reduction Missing from Terms of Reference for Consultants

Most agencies make very extensive use of consultants to implement their programmes, often in an attempt to circumnavigate staffing restrictions imposed by their ministries of finance. It is rare, however, for the terms of reference given to consultants to require them to prioritise poverty reduction in their work, except in direct poverty reduction interventions. Similarly,

consultants are rarely given any training in the agency's approach to poverty reduction, and often do not receive guidance documents on poverty reduction (where they exist). This is a shortcoming of the vast majority of agencies, and is especially serious in those which rely particularly heavily on consultants, such as the European Commission and Finland.

2.2.6   No Clear Incentives to Promote Poverty Reduction through Working with Multilateral Partners

Section 1.4 indicated that bilateral donors could have a greater impact on poverty reduction by seeking to promote it through all available channels within their domestic government and in their relationships with multilateral agencies. Yet few of the case studies show senior management providing clear signals to staff to promote an influencing agenda on poverty in their partnership with the multilaterals. Denmark, Norway, Sweden and, most recently, the UK are the most plausible exceptions to this, though this focus is very new and untested in the UK programme. There would appear to be real opportunities for more agencies systematically to promote a greater focus on poverty, given their leverage over the multilateral bodies. A number of European agencies do consider that they have had some impact, particularly at the Board level, in encouraging the World Bank to strengthen its poverty reduction orientation, particularly through the Special Programme for Africa. Yet at the country level there is little evidence of a systematic influencing agenda (see Sections 3.2.3 and 3.2.4).

2.2.7   Neutral Incentives: Permissive Systems

To varying degrees, virtually all agencies have a 'permissive' rather than 'directive' culture on poverty reduction, with great discretion left to country directors and programme managers. The result is that the drive for poverty reduction tends to vary considerably from department to department, from country programme to country programme, and from person to person. Thus, even where there is a strong culture promoting it, managers have a free hand as to how and whether they actually focus on directing benefits to the poor. There is a greater risk of permissive systems undermining a poverty focus where agencies do not have a well-developed system of checks and balances to verify whether or not poverty reduction is adequately addressed. Unfortunately, as Section 2.5 shows, there is often little accountability against poverty reduction objectives.

Some insight into the nature and causes of permissive systems is provided in the country case studies:

- Finland, France, Italy, Japan, Portugal, and Spain (and others) may be seen as having a permissive culture in part because of a lack of clear operational guidelines, e.g. 'Ministry of Foreign Affairs staff members and consultants are left pretty much on their own to interpret how best to promote poverty reduction' (Finland);
- Canada: the presence of poverty reduction objectives depends on individuals and the particular management structures;
- the culture within the Swiss agency values a creative and consultative style of leadership, which sits ill with a directive approach;
- the Netherlands: scope 'to experiment and… freedom has always been high within the

Dutch aid programme… Decisions… are largely the responsibility of the individual staff members and there are only a few "checks and balances" from the Hague';

- UK: traditionally permissive, though top-down leadership is changing this. However, 'without a more directive and accountable system the impetus from the top will be dissipated as it trickles down the organisation';

- USA: fairly decentralised, with each regional programme relatively free to tailor the strategic objectives. This translates into 'a fairly ad hoc practice for missions [to Africa] to focus on poverty as a central theme, or not, as they see fit'.

2.3   Are Agencies Organised for Poverty Reduction?

The effective mainstreaming of poverty reduction depends on far more than clear top-down signals to prioritise it and the existence of positive incentives. It also requires both knowledge on what works and a capacity to act on that knowledge in concert with developing country partners. There is no single 'correct' organisational and management structure which is guaranteed to deliver the knowledge or the capacity required for poverty mainstreaming. There are, however, basic elements of best practice which can be divined from the case studies, which are examined in detail below, including: adequate guidance, training, adequate expertise, multi-dimensional/cross-sectoral approach and decentralisation.

2.3.1   Is There Operationally-relevant Guidance on How to Tackle Poverty Reduction?

Even assuming that senior management has effectively signalled the overriding importance of poverty reduction, it remains for officials to translate the goal into country programmes which maximise the poverty reduction 'bang for your buck'. The extent to which agencies have the right information at their fingertips, including lessons on what has worked, is assessed in Section 3.1.4 below, while the process by which country specific programmes are designed is the main theme of Section 3.1 overall. Here we examine whether agency headquarters have furnished country programme managers and other officials with adequate guidance to assist them in preparing country strategies or designing projects and programmes.

The answer is generally no. There is a great dearth of material which provides genuinely useful operational insights into poverty reduction, far less than comparable guidance on environmental and sustainability objectives. This suggests that agencies do recognise the value of operational guidance, and have met the need in some cases, but have yet to address it comprehensively with respect to poverty reduction. More encouragingly, this lack has been formally recognised in some agencies (e.g. Japan), and informally in others (e.g. the Netherlands).

In large measure, weak guidance simply reflects the weak conceptualisation, or lack of *agreed* conceptualisation, of poverty within many agencies discussed as in Section 1.2. Agencies will need to devote more attention to conceptual issues, as well as to learning lessons of experience, in order to develop more effective operational guidance. The issues to be addressed include:

- what is the need for data and other information to identify the poor, monitor their status and assess the impact of interventions on their poverty?

- given the information base and the local context, what models of poverty reduction are likely to be most appropriate? What empirical evidence is available on the likely effectiveness of alternative interventions for poverty reduction?

Box 2.1 provides a sample of views on the nature of guidance within several agencies, while Table 2.1 summarises the full status of guidance available. Germany (BMZ) stands out. It has two cross-cutting ('trans-sectoral') concept papers which deal directly with poverty reduction and three which address issues relevant to poverty reduction including gender, *and* it has consciously sought to address poverty reduction in many sectoral papers (e.g. on savings and credit). This provides a valuable model for other donors, since by providing both a detailed discussion of poverty reduction issues and choices in general and attempting to integrate poverty concerns in its approach to particular sectors, it is enhancing the likelihood that poverty will be effectively mainstreamed.

Box 2.1
Case Study Comments on Lack of Guidance

EC: DG VIII provides some general guidance but no operational guidance. DG 1B provides no formal guidance at all, relying instead on two poverty focal points.

Finland: There is broad political consensus that poverty reduction is a key objective, but for civil servants 'neither "poverty" nor "poverty reduction" are very operational concepts…. Poverty reduction still appears to be too unclear, too complex and too noble to be easily translated into tangible activities'.

France: The implicit nature of the poverty reduction goal results in little attention to providing specific guidelines for programming and implementation.

Italy has done little to formalise guidance beyond stressing the importance of poverty reduction.

Norway has operational guidelines, but little specific focus on poverty reduction.

Ireland and Japan have an informal system, to be supplanted by formal guidelines later in 1999.

The Netherlands has some guidelines, including a 'development test' which includes poverty reduction as a criterion; but there is a feeling that this is insufficient and more guidance is required from the centre.

New Zealand has few guidelines on poverty reduction, but assumes that it is mainstreamed through existing practices, which are seen to be in line with 'conventional' approaches to poverty reduction.

Denmark has begun to develop guidelines for its sector programmes which stipulate that:

> aid activities must be prepared, appraised, implemented, monitored and evaluated with respect to their impact on reducing poverty. The ultimate criteria of success in applying the poverty reduction objective are whether bilateral aid contributes towards strengthening the capability of the poor to access resources, to develop secure livelihoods, to increase their knowledge and to exercise their rights.

This is particularly interesting since the final sentence indicates that even at the meso or macro level of intervention, the 'ultimate criteria of success' require that activities be assessed against their micro-level impact on the poor with respect to clearly defined dimensions of poverty.

In the case of Sweden, there has been a recent attempt to build operational linkages between the agency's four main action programmes. The managers responsible for each programme have begun to examine how they can jointly prepare guidance for country assistance strategies

and logframe analysis for instance, to ensure that an integrated approach is taken.

The World Bank developed policies and operational guidelines in the wake of the *World Development Report* for 1990 which focused on poverty reduction. Its Operational Directive (4.15) was prepared in 1991, but has not been revised since 1993. While staff in many agencies, especially the smaller ones, have emphasised that they would value clearer operational guidelines, the Bank appears to have headed in the opposite direction. Rather than update the existing guidelines, the leadership of the Poverty Reduction and Economic Management (PREM) network aired doubts about excessive reliance on documentary guidance, suggesting that it leads to the adoption of inflexible 'cookie cutter approaches' to poverty reduction programming. Instead, it has emphasised that the demonstrable effect gained by the Bank President endorsing good practice country assistance strategies, for instance, may be more effective, particularly when backed by targeted materials relevant to local conditions. This is not entirely convincing, and when the Bank launches its new *World Development Report 2000/1* on poverty reduction, new guidance must surely be provided to ensure that new insights are effectively mainstreamed. In addition, most agencies cannot draw on the rich internal research and advisory capacity available to Bank staff, and thus the case for providing more comprehensive operational guidance remains very strong for the bilateral aid community.

Table 2.1   Extent of Guidance Specifically Relating to Poverty Reduction

Operational Guidance	*General Guidance (stressing importance of poverty reduction)*	*None*
Denmark, Germany (BMZ), Sweden, UNDP, World Bank	Australia, Canada, EC DG VIII, Finland*, IMF, Ireland*, Japan, Netherlands, Switzerland*, UK*, USAID	Austria*, Belgium*, EC DG IB, France, Italy, Norway*, Portugal*, Spain

* Agencies planning to introduce operational guidance

2.3.2   Do Agencies Provide Training on Poverty Reduction?

Most agencies have a weighty guide to basic office procedures, and few would consider inducting a new member of staff without providing training in these procedures, thereby ensuring that the guidelines are understood. Why is it so different for poverty reduction? The case studies reveal a black hole with respect to operationally relevant training on poverty reduction, with only eight agencies providing any training at all (see Table 2.2).

The European Commission (DG VIII) has a better record than most agencies. It provides a relatively thorough training course, which started as early as 1997, though only 40 people have been trained so far. The course lasts for two to three days, and covers poverty measurement and pro-poor project design across a range of sectors, including at the macroeconomic level. Some training of Delegation staff has taken place, but its voluntary nature means that the relevant staff cannot currently be systematically targeted. The Commission is considering sending trainers out to Delegations.

Table 2.2   Training for Poverty Reduction

Operationally Relevant Training	*General Orientation Training*	*None*
EC (DG VIII) Germany (BMZ) Sweden, UK, UNDP World Bank	Japan*, Switzerland	Australia, Belgium*, Canada**, Denmark, EC (DG IB), France, Finland, IMF, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, USA

* In 1998 Belgium organised a training session on poverty reduction for staff.
** Agencies planning to introduce operationally-relevant training.

Japan (JICA and OECF) has some training, but it is limited largely to awareness raising on poverty. This should be greatly assisted by the planned development of more practical and operational guidelines, which could form the core of new courses. OECF will launch an expanded series of training courses on social dimensions, focusing on poverty reduction and gender issues. Germany addresses gender and poverty issues at the operational level in the overseas offices of GTZ, but it would still benefit from courses which regularly update skills and which are adapted to particular country contexts.

Sweden has made a serious commitment to developing the skills of a wide range of its staff through week-long training courses covering skills ranging from poverty analysis and programme design to implementation issues and lessons of experience. Two courses were run in late 1998 for about 40 staff at all levels of seniority. One senior Swedish official notes that three-day training courses for gender and the environment are compulsory for almost all staff, reflecting the fact that they have been on the agency's agenda for longer. A reform of this system – say by providing one-day introductory courses on gender, the environment and poverty with follow-up specialist courses as required - would make it easier to extend poverty training to all staff. A similar wholesale reappraisal of training is likely to be necessary in virtually all agencies.

The UK had provided only basic orientation training for limited numbers of staff up to February 1999, when it initiated a training programme modelled on the Swedish one for about 20 senior and middle-ranking staff. UNDP has provided both general orientation training on poverty reduction and operationally-relevant training. The latter has been delivered through decentralised means such as regional and sub-regional seminars and workshops, or based on handbooks produced in-country on poverty, as in Benin (UNDP/Laval 1998).

Providing rigorous training on poverty reduction is particularly difficult for smaller development agencies. The unit cost of training is far lower for bigger agencies which can send potentially large numbers of staff through a broadly similar training programme. There may be a role for the DAC Informal Network on Poverty Reduction to make training more affordable by opening the courses provided by large agencies to staff from smaller agencies or by sharing training materials which they have developed.

2.3.2.1 Issues in Training for Poverty Reduction

Some of the issues which such training might cover are included in Box 2.2. Effective training would also require that anti-poverty biases in the agency are challenged – for example, tendencies to favour urban over rural, or major roads over rural ones. One alternative form of training is a period of enforced residence in poor areas which, although costly, may be highly effective in developing a 'feel' for the realities of poverty.

It was difficult to obtain information on whether staff in overseas offices had received training on poverty reduction. It seems quite likely that this is an area which, despite its importance, is even less well-addressed than headquarters' training. There is no guarantee whatsoever that local staff will have a clear knowledge of the causes and characteristics of poverty, and more attention here is a clear priority.

> **Box 2.2**
> **Issues in Operationally-relevant Training for Poverty Reduction**
>
> - country-level poverty assessments and participatory poverty assessments;
> - national poverty reduction strategies;
> - governance and empowerment of the poor;
> - regional/gender/social disaggregation of poverty statistics;
> - pro-poor public expenditure reviews;
> - pro-poor stakeholder analysis;
> - gender and poverty linkages;
> - pro-poor institutional and legal reforms;
> - sector-wide approaches and poverty reduction;
> - indicators, monitoring and incentives in relation to poverty reduction;
> - pro-poor analysis of international structural issues:
> - trade policy, market analysis, environmental
> - conventions, human rights conventions, debt.

2.3.3 Organisational Structures to Promote Poverty Reduction

Effective mainstreaming requires that an agency has some system in place to communicate the priority it accords to poverty reduction and its knowledge on how to tackle it. There are a wide range of organisational solutions to achieve this goal. Some agencies rely on establishing specialised units or focal points charged with mainstreaming, others insist that all departments take full account of poverty reduction while yet others combine both approaches. The experience of gender mainstreaming suggests that this last hybrid approach is likely to be most successful (see Section 2.4.1 below).

No one approach can be considered to be *necessarily* more effective than any other, since the ways and the context in which they are implemented vary so greatly. Denmark, among other agencies, considers that poverty reduction is such a fundamental concern that to make it the responsibility of a separate unit might marginalise it; instead, it must be considered by every sector group across the agency. Yet there are other countries, such as France, Italy and Portugal, where there is no such clear understanding that poverty must inform all activities. Without such a commitment, it might well be that the establishment of suitably resourced and influential poverty units might assist in the mainstreaming of poverty reduction.

The effectiveness and influence of the various poverty (or poverty plus) units is not easy to assess, but certainly varies considerably (see Table 2.3). The World Bank's PREM network

appears to have been quite effective in promoting implementation and coordination on poverty reduction in line with policies set by the Bank's overall Board of Directors. It does not have formal authority to ensure that sufficient emphasis is placed on poverty issues by operational staff, which is considered to be the job of the Board of Directors, but it plays an active role in reviewing Bank programmes and teaching Bank staff what constitutes effective poverty reduction. The Netherlands poverty unit, however, is perceived to 'tiptoe through the Ministry trying to find a willing ear for its quest for attention to poverty reduction'. In this case, the unit appears to lack sufficient staff resources and authority to fulfil its mainstreaming mandate by influencing the approach of sector and geographical desks. In Japan, both JICA and OECF have had units during the 1990s which were charged with mainstreaming the environment and gender. Until recently poverty has been incorporated into the gender work, but is now receiving more attention in its own right, though the extent of the unit's influence is unclear.

Germany (GTZ) mainstreams poverty through a unit for Gender and Development and Poverty Reduction, which performs a support role in mainstreaming poverty and gender within the agency. It is considered to be quite effective, and works through regional advisers, some of which are posted abroad.

Table 2.3   Structures for Mainstreaming Poverty Reduction

Specialised Poverty Unit	*Poverty Focal Point*	*Other Structures*
Netherlands **Norway** **UNDP** + focal points	**Belgium –** 2 (economic and social) **EC (DG VIII)** – 1 person **EC (DG IB)** – 1 person **UNDP** (5 regional points and country office focal points)	**Canada:** Informal Task force on poverty **EC (DG VIII):** a directorate has responsibility for mainstreaming poverty **Germany (BMZ &GTZ):** Gender & Poverty Units **Japan (JICA):** general responsibility + persons responsible for poverty in Environment, WID and Other Global Issues Division + WID focal points for info sharing on poverty **Japan (OECF):** Environment and Social Development Office **Sweden:** general responsibility + persons responsible for poverty in Policy Dept + Task force of 20 from across all departments **UK:** Shared responsibility of Social Development and Economics Divisions **World Bank:** Joint PREM Network; reliance on matrix management to mainstream poverty

The mainstreaming of poverty reduction has recently been made the responsibility of a directorate within the European Commission's DG VIII, which also contains a senior social development adviser, seconded from a member state, as the focal point. This works rather more effectively than in DG IB where a junior official is in place and responsibility has not been allocated to a separate directorate. The DG VIII focal point has been able to contribute to the mainstreaming process both by raising awareness and by instituting a thorough programme of training, though it is still limited in reach. However, there are clearly limits to what such focal points can be reasonably expected to achieve in terms of poverty mainstreaming, though the recent allocation of responsibility to a directorate may well help in future. The DG VIII

official covers Commission programmes to the whole of sub-Saharan Africa, the Caribbean and the Pacific, while the DG IB official is intended to cover all EC aid to Asia, Latin America and the Mediterranean.

In the case of the UK, poverty reduction is seen as everybody's job (as for Denmark and Sweden), but it is also the particular responsibility of the Social Development Advisers and Economic Advisers. One of the strengths of this system is that these 'champions' of poverty reduction are numerous (over 80) and able to raise the profile of and advise on poverty reduction both within headquarters and in overseas offices (where about half are located). Of course, within such a broad cadre not all advisers are, in reality, equally knowledgeable about or committed to poverty reduction. In addition, in some cases Social Development Advisers have felt themselves marginalised in field offices. Sweden has recognised that making poverty reduction 'everybody's job' is not very effective, and supplements this general responsibility with a Task force of 20 from across all departments, as well as several poverty advisers within the Policy Department.

2.3.4 Do Agencies have the Right Skills for Poverty Reduction?

This is not a question that many agencies appear to have considered directly. The case studies do not suggest that agencies have stood back and assessed whether their mix and level of skills are consistent with their stated poverty reduction goal and related objectives. It is perhaps not surprising, therefore, that in interviews officials in the majority of agencies pointed to areas which needed strengthening.

It is also not a question that is easy to answer. The skills required clearly depend on the particular mix of aims and approaches that each agency considers best for effective poverty reduction. They also depend on the types of partnerships the agency has fostered in developing countries, and thus the division of labour between the agency and its partners. Nonetheless, some characteristics and factors for consideration can be identified, including:

- does the agency have the range of expertise to achieve a multi-disciplinary and cross-sectoral approach to poverty reduction?
- is the mix of skills consistent with the agency's objectives?

The majority of agencies can draw upon a certain amount of specialist expertise, and a number have a very impressive specialist cadre. The UK, for instance, has over 260 specialist adviser grade staff (as distinct from administrators), covering education, health and population, social development and gender, small enterprise, institutional development and governance, as well as economists, engineers, natural resource/environment experts and statisticians. In general, however, most agencies lack the full range, (or sufficient numbers of the full range) of specialist skills needed to mainstream poverty reduction effectively. Table 2.4 tells part of the story, showing that 11 agencies suffer from a general lack of specialists, often because of reliance on diplomats to implement development programmes at the developing country level (e.g. Finland, New Zealand, Norway, Portugal).

Another difficulty is ensuring that the skills base remains consistent with changes in emphasis and approach within agencies. Agencies are increasingly turning to sector-wide approaches as the new 'big idea' in promoting development and reaching the poor, yet few have much

experience or the relevant skills. The Danish case study highlighted a lack of staff with experience or expertise in sector-wide approaches on how to retain the focus on benefiting the poor. This shortcoming is shared by all agencies, which have not always scrutinised sector programmes from a poverty reduction perspective. Although it is not clear exactly what combination of skills is required for effective, poverty-oriented sector programmes, it clearly needs to go beyond a narrow technical and sectoral competence to include institutional and social development perspectives as well as accountancy, budgeting and planning. Some agencies have begun to recruit, but have had difficulty in recruiting the relevant skills. A few are now recruiting local professionals, which can have advantages in terms of local knowledge, better and more sustainable design, and an enhanced feeling of ownership (a perspective that emerged strongly from the report of the Partner Country Perspectives).

Table 2.4   Skills Mix for Poverty Reduction: room for improvement

Lack of Economics expertise	*Lack of Social Development and Gender expertise*	*Other Sector Weaknesses*	*General Lack of Specialists*
Canada **Denmark:** weak, yet increasingly important, given increasing profile of sector-wide programmes **Sweden:** micro and macro operational level **USA:** cuts in recent years	**EC:** social development & gender expertise **Finland:** social devt **Germany**: gender & social devt; **IMF** **Italy:** gender **Japan:** gender & social dev **Sweden**: lack of socio-cultural analysts with poverty focus **Switzerland:** 2 gender specialists; 1 social dev	**Most agencies:** governance/political analysis, institutional development **Germany** (BMZ, GTZ, KfW): institutional building **Norway:** lack of expertise in sector-wide approaches **Sweden:** ed & health **UK:** basic education **USA:** cuts in recent years in agricultural specialists	**Canada:** although significant numbers, judged generally insufficient, given aims **EC, Italy** **Luxembourg:** good skills but limitations due to size. **New Zealand, Norway, Portugal, Spain:** skills exist but not fully shared across org. **Switzerland:** good skills but limitations due to size.

There is a general lack of economists with backgrounds in micro analysis in relation to households, firms and farms, who could usefully interact not only with social development experts with micro-level skills but also macroeconomists working on sectoral programmes or budgetary support. Conversely, although many agencies have social development and gender expertise, most have concentrated on micro- and project-level interventions and not engaged, or had the skills to engage, at the macro-level. Social development and gender experts need to work more closely with macroeconomists and sector experts (and microeconomists) to ensure that sectoral programmes and budgetary support are designed in a way that will maximise benefits to poor people.

The increasing attention to sector-wide approaches common to many agencies was foreshadowed by a recognition by agencies of the importance of institution building and governance expertise in the early 1990s. Yet most agencies remain very weak in this area. The UK, which has the largest cadre of governance experts among the bilateral agencies, nonetheless judges itself to lack the political analysis skills to ensure that efforts to focus

country programmes on poverty take account of the constraints and opportunities presented by the political context.

The above illustrations indicate not only that the skills mix is rarely comprehensive, but also that it may not be consistent with 'new' priorities, such as sector-wide approaches and institution building. Surprisingly, the skills base may also not be consistent with long-standing development objectives which contribute towards poverty reduction. The US case study provides an interesting illustration of this, documenting that two of the sectors which the US considers to have the strongest direct links to poverty reduction – agriculture and economic growth – have experienced disproportionate cuts in staffing levels, with civil service direct recruiting falling by more than half, compared with an 18 per cent drop overall. In the case of the European Commission, nearly 9 per cent of commitments to Asia and Latin America in 1995 were in the health and population sector, and yet only one health adviser is available for both regional programmes (Cox and Koning, 1997). In fact, the European Commission appears to be grossly understaffed in general in proportion to the volume of funds disbursed.

The skills base also depends on the use made of consultants. The US draws extensively on consultants, to provide expertise in women in development for instance, and considers that individuals are effectively integrated into central office operations. However, in general, excessive dependence on the 'contracting in' of skills can present risks for poverty reduction mainstreaming. A certain range of in-house skills must be retained if the agency is to understand precisely which external skills are required and for recruitment and vetting to be effective. In addition, consultants usually do not systematically receive whatever guidance and training on poverty reduction is available.

Finally, a number of donors suffer from general understaffing or high turnover (e.g. Ireland, Norway and the Netherlands), and thus are hampered in the administration of their country programmes. Such shortcomings may be accentuated as agencies increasingly seek to develop a more partnership-based approach to poverty reduction. Effective partnership requires a considerable investment of staff time, including senior-level administrators, in order to develop trust and mutual understanding, as well as identifying opportunities for pursuing pro-poor approaches. The implications for staff resourcing, particularly at the country level, may not yet have been digested by agencies.

2.3.5 Structures Promoting a Cross-sectoral and Multi-disciplinary Approach

Having the right mix of skills is clearly important, but the whole should be greater than the sum of the parts. This Section will consider whether or not the organisational and management structures within agencies are conducive to the actual implementation of a cross-sectoral and multi-disciplinary approach to poverty reduction.

Officials across a wide range of agencies expressed their concern that the organisational structure and culture of their agency created pressures for sector-driven and supply-led approaches to poverty reduction. Many are organised into professional or sectoral groups. This can result in advisory groups becoming over-preoccupied with advancing their 'own' disciplines rather than working with others to develop cross-sectoral and multi-disciplinary solutions. The UK headquarters, for instance, was seen as sector-dominated, where the very

strength of its advisory group structure could create irresistible pressures for including sectoral activities in country programmes to satisfy internal interest groups, rather than prioritising activities in response to a country poverty analysis.

In Spain, sectors such as gender, food security, sustainable development, education and health, remain relatively separate areas, limiting shared insights and militating against multi-sectoral solutions to poverty. Similarly, in Japan and Portugal, sectoral activities are often managed by separate ministries, posing even more serious constraints in this respect. Excessively complex administrative structures and requirements also hamper the development of coordinated and multi-sectoral approaches. This is seen as a genuine obstacle to improved projects and programmes within the European Commission, but also within the very different German system.

The problem is more complex than simple rivalry or lack of coordination between sector groups. It is in part due to the lack of incentives to encourage effective teamworking across professional boundaries. Agencies may 'talk teamwork' but reward individual sectoral endeavour. Thought needs to be given to the complex area of staff performance reporting systems so that individuals can be properly rewarded for effective teamwork. Lateral or '360 degree' reporting systems as opposed to top-down reporting systems could be explored as a means to generate 'pro-teamworking' incentives.

Finally, a core problem is that many staff in many agencies are so busy meeting their own direct obligations that they have very limited time for reflective work and teamworking approaches.

2.3.6 Agency Decentralisation and Implications for Poverty Reduction

The extent to which development agency expertise and decision-making authority is concentrated in donor capitals or located in developing countries has implications for their capacity to mainstream poverty reduction effectively. There is clearly no simple correlation between decentralisation and effectiveness, and indeed potentially there are both advantages and disadvantages:

Potential Advantages	**Potential Disadvantages**
▪ helps understanding of political context and country specific knowledge; complexities of poverty	▪ may dilute messages from centre (bad if the message strongly supports poverty reduction; good if not, and the flexibility allows poverty entrepreneurs to flourish)
▪ helps dialogue and partnership – and coordination	▪ possible loss of objectivity
▪ may improve responsiveness to emerging opportunities	▪ may be harder to recruit skills needed for poverty reduction
▪ may strengthen teamworking across disciplines	▪ higher running costs
	▪ hampers the exchange of experience and good practice, and dissemination of principles of poverty analysis

Some consider that having empowered staff at the country level is an absolute requirement for effective pro-poor partnerships. Such staff are seen as better placed to identify the opportunities for promoting pro-poor agendas and engaging in country-level influencing of

government, civil society groups, and other agencies (including the multilaterals). The increased emphasis on sector-wide approaches is also seen by several agencies as requiring more staff at the country level, able to engage fully with the government and other donors over the two-to-three-year development process. This period, when policies and institutional reform are designed, is seen as very intensive, requiring trust and support. Some consider that even advisers at the regional level are insufficient and country-based support is needed. The potential disadvantages of decentralisation were felt by many to be less weighty, and could be mitigated by careful attention to systems of accountability and lesson-learning.

A second series of pros and cons of decentralisation is associated with the extent to which overseas staff are 'rotated' between the field and HQ levels, or between developing country postings. There can be little doubt that rotating staff every two years or less is likely to have a negative impact on country-level effectiveness, but the balance of benefit after more substantial periods is more finely weighted. The arguments were clearly presented in the case of Denmark, in particular, which identified the following factors as contributing or compromising poverty mainstreaming:

Positive Effects of Rotation:	**Negative Effects of Rotation:**
Contributes to:	Hampers:
▪ a dynamic organisation open to new thinking	▪ specialisation required for poverty analyses
▪ internal exchange of experience and lessons learned	▪ specialisation required in wake of transition to SWAps
▪ well-educated and all-round employees with ability to combine different approaches	▪ building up substantial country-specific knowledge

Table 2.5 provides a rough guide to the extent of decentralisation of many agencies, and reveals a varied picture. Decentralisation is taken to refer to the proportion of staff located in overseas offices and the degree to which these staff have decision-making authority. Only a minority can be classified as highly decentralised, with the remainder evenly split between the moderately decentralised and the mainly centralised.

Table 2.5   Estimation of Degree of Decentralisation of Staff and Decision-making

Highly Decentralised	*Moderately Decentralised*	*Mainly Centralised*
Germany: process of decentralising under way but partial **Ireland** **Netherlands** **Norway** **Sweden** **UK** (all large country programmes) **UNDP**	**Canada:** authority remains at HQ, but field staff have large leeway **Denmark:** some decentralisation of staff, but authorisation at HQ **EC DG VIII:** substantial system of country Delegations, with some but limited formal authority. **Luxembourg, Switzerland:** informal system giving considerable autonomy for field staff **USA:** fair amount of decentralisation for regional bureau **World Bank:** some country directors now in-country, but only a minority in Asia, Africa and Latin America	**Australia:** in close geographical proximity to main partners **Belgium** (reform intended to create highly decentralised system) **EC DG IB:** delegation system but understaffed and limited authority **Finland:** staff allocation and decision-making highly centralised at HQ **Italy:** has local units, but very understaffed **Japan:** value of decentralisation recognised but actual reform is slow **Portugal** **Spain**

There is considerable variation in practice and capacity within each category, however. Denmark, for instance, has a substantial range of expertise in its embassies, whereas the European Commission (DG VIII) has specialists in its Delegations but rarely the social development, institutional and basic social sector skills that are considered particularly important for poverty reduction. The World Bank has located some country directors overseas, but only a small number. Bank officials consider that this makes them more client-driven (although not necessarily poverty-focused), with country directors able to call on a range of expertise as they need it. However, most Bank expertise remains located in Washington. UNDP traditionally has been more decentralised than many agencies, but has sought to increase decentralisation, while trying to improve accountability, during a management change process in 1997-98, known as UNDP 2001.

There is increasing use of local expertise by a number of donors, more particularly the US, UNDP and Ireland, but also Denmark, Japan, and Switzerland. This offers the advantage of local and context-sensitive knowledge. Japan (OECF) increasingly uses a Special Assistance Facility to commission further analysis of social and gender aspects and for assessing institutional capacity at the grassroots level. A number of agencies, including the Netherlands, Sweden, USA and the World Bank, have drawn quite extensively on local research institutions in order to better understand country-specific linkages and priorities for poverty reduction.

2.4   Mainstreaming Gender

Gender mainstreaming is relevant for two reasons. First, current efforts to mainstream poverty reduction owe much of their thrust to agency experiences of mainstreaming gender (and also the environment), and lessons learned in trying to operationalise gender mainstreaming are highly relevant for poverty reduction. Secondly, most agencies consider gender inequality to be a dimension of poverty, and thus success in mainstreaming gender and the effective use of gender analysis are likely to be integral to successful poverty mainstreaming. It is therefore important to consider whether agencies have appropriate systems and incentives in place for the effective mainstreaming of poverty reduction. The factors which have generated the impetus to attempt to mainstream gender issues, and the difficulties associated with it, parallel those driving the current concern to mainstream poverty.

2.4.1   Why Mainstream? – Insights from Gender Mainstreaming

The concept of mainstreaming emerged as a consequence of coming to terms with the problems and frustrations experienced in trying to improve the position of women through development cooperation programmes (see Schalkwyk *et al*, 1996). The first major lesson was that very few women were touched by donor interventions and thus very few benefited:

▪   in practice, efforts to 'integrate women' took the form of separate projects for women or women's components within larger projects; most were small-scale with limited impact beyond the few women directly involved.

Small 'women-specific' projects, or small women-specific components tacked onto larger projects, failed to prevent women from being bypassed in the allocation of most development resources and opportunities. This implied that women's participation needed to be extended

into the broader processes of policy dialogue, planning and institution-building. However, the second major lesson was that increasing the *degree* of participation was itself not enough:

- women in developing countries argued that the issue was not women's participation as such but the *terms* of their participation.

Women were already integrated into society and the economy, but on an unequal basis, and thus increased participation in an unequal development process would be ineffective in generating a real change in the their position. These two lessons spurred agency officials and academics to develop strategies that would mainstream gender equality into the development process.

In many ways, agency attempts to reach and benefit the poor to some extent parallel the efforts to reach and benefit women described above. However, experience with mainstreaming gender is in some ways further ahead than mainstreaming poverty reduction. Thus, agencies have realised for some time that altering the terms of the women's participation is essential, and that this requires challenging their unequal integration into society and the economy. The same is required for poverty reduction actions. Yet many agencies often continue to talk about increasing participation by the poor ('more is better'), and place too little emphasis on the terms of that participation.

The experience of gender (and environmental) mainstreaming undoubtedly provides insights and lessons for agencies seeking to mainstream poverty reduction more effectively, in part by preventing them from repeating earlier mistakes. The following sections, as well as providing evidence of the degree of success of agencies in mainstreaming gender, are also suggestive of where lessons might be drawn, namely:

- effective organisational structures for mainstreaming gender;
- importance of strengthening links between headquarters and the field;
- use of training to promote gender mainstreaming.

2.4.2 Organisational Structures to Promote Gender Mainstreaming

Case studies reveal that there are various institutional responses to the prerequisites for gender mainstreaming. Some agencies set up a specific gender focal point either in the form of a gender unit or gender specialists, others aim to integrate analysis and awareness into all departments and operations, and sometimes both mechanisms are combined in one agency. Where the *combined* approach is taken, a well-resourced gender unit or focal point may be instrumental in encouraging other departments to take full account of gender, and avoiding the marginalisation of gender within an isolated unit (see Box 2.3). Some agencies are already applying this lesson and developing appropriate organisational structures for mainstreaming poverty reduction.

Box 2.3
Successful Gender Mainstreaming: Canada

Combining a specific focal point with the mechanism to integrate gender analysis and awareness into all departments and operations has proved to be a successful way to mainstream gender in some agencies.

In Canada, gender is both mainstreamed throughout the agency's operations and departments and dealt with by a separate unit which provides resources, guidance and advocacy to facilitate the mainstreaming effort. Gender experts are associated with each branch as technical advisers and further expertise may be located or hired at field level. The mainstreaming process is supported by a gender mandate within programming priorities and by associated budgetary allocations.

These mechanisms have led to gender being relatively well integrated into development and poverty reduction aims in Canada. However, the gender mainstreaming process is still not complete, as 25% of staff reportedly are still uncomfortable with gender, mostly because they are still unsure about how to operationalise gender analysis in country programmes and strategies.

Table 2.6 shows that several agencies combine both mechanisms for gender mainstreaming. However, it should be noted that many gender focal points (e.g. Ireland, Finland) have dual roles which inhibit their effectiveness in focusing on gender issues.

Table 2.6   Structures for Mainstreaming Gender

Gender Focal Unit	*Gender Focal Point*	*Both Focal and Integral*
Japan	Australia, EC (DG IB), EC (DG VIII) IMF, Italy, Spain	Austria, Belgium, Canada, Denmark, Finland, Germany, Ireland, Netherlands, Norway, Sweden, UK, UNDP, USA, World Bank

2.4.3 Mainstreaming Gender: Strengthening Links Between HQ and the Field

Effective links between gender mainstreaming actions at headquarters and in the field are essential for success. Box 2.4 illustrates mechanisms that have been used to achieve these links in UNDP. However, the Scoping Study case studies indicate that there is usually discrepancy in the level of attention to, and resources and expertise available for, gender mainstreaming interventions between headquarters and field missions in many agencies. Even in a donor such as Sweden with strong gender support and expertise at the centre, field-level resources are somewhat more limited (see also Section 3.1.5). Although Sweden probably leads on commissioning and producing research on gender, operationally it is sometimes crowded out by the number of new initiatives and objectives and the many demands on staff time – a reality that is undoubtedly true for other agencies too. In the case of Australia, country strategies have not necessarily demonstrated effective gender mainstreaming due to a lack of gender expertise among those responsible for developing country strategies. However, the Gender and Education Group is now consulted in the preparation of country strategies, and the recent outcomes and outputs-based budgeting requires country programmes to show gender and development outcomes. For various agencies (e.g. Japan and the EC), the country-level focal points tend to be relatively lacking in authority. This suggests that effective poverty mainstreaming is also likely to require very careful attention to ensure that the provision of skills at the field level matches that at headquarters, and that they have sufficient authority.

Box 2.4
Mechanisms to Strengthen the Links Between HQ and the Field: example of UNDP

UNDP has a well-developed institutional structure for promoting gender mainstreaming. The Gender Programme within the Social Development and Poverty Elimination Division (SEPED) promotes gender analysis skills among headquarters staff and also sets institutional policy on gender issues. Gender in Development Programme is also responsible for global programming and advocacy. For example, the economic adviser targets improved integration of gender into macroeconomic policy and international trade issues by identifying research priorities and working with an international advisory group of gender specialists on specific activities, including preparing a learning manual on gender and poverty reduction and creating advocacy tools such as people's and women's national budget statements (see UNDP,1998a: Chap.7, p.75).

The Gender Programme within SEPED, focusing primarily on the macro level, is complemented by work at the micro and meso levels in the regions and country programmes. Within the regional bureaux, gender policy advisers are responsible for providing technical assistance to country programmes on how to improve attention to gender within their poverty reduction programmes. As the Sub-Regional Resource Programmes become operational, it is possible that gender specialists will be part of the sub-regional technical teams. Each region focuses on the problem most relevant to its countries. For example, in Africa, priority areas include supporting entrepreneurship, improving women's rights to land, and reducing violence against women.

2.4.4 Do Agencies Use Training to Promote Gender Mainstreaming?

The case studies reveal that training has been used more extensively to promote gender mainstreaming, than is the case for poverty reduction (Section 2.3.2). Table 2.7 shows that 18 agencies have *some* form of gender training compared with six for poverty reduction. Sweden is unusual in having had compulsory staff training courses on gender-related issues since the late 1980s. These increasingly focus on the operational implications of mainstreaming gender equality, a shift which evaluations show has increased the agency's knowledge base in this area. In all but six cases, however, the quality of training and the numbers trained are considered to be inadequate. DAC (1998) notes that some training models have backfired as they have attempted to turn staff into gender experts in a short period of time when experience has demonstrated that people need longer to acquire the necessary skills. So perhaps this explains why in many agencies different conceptions of gender mainstreaming (e.g. Women in Development versus Gender and Development) are used interchangeably, and gender equality goals have generated confusion among some agency staff.

Table 2.7   Gender Training

Substantial	*Some but inadequate*	*None*
Australia, Austria, EC (DG VIII and DG IB), New Zealand, Sweden, Switzerland, UNDP, World Bank	Belgium, Canada, Denmark, Finland, Germany*, Ireland, Japan, Netherlands, Norway, Spain*, UK, USA	IMF, Italy, Portugal

* Planning to expand gender training

Prevailing institutional cultures, particularly among high-level management, are a factor behind the persistent lack of understanding of gender issues within some sections of agencies

or, in some instances, across the whole agency. The case study of Spain, for example, cited lack of political will as the main constraint against operationalising gender concepts within the project cycle. In contrast, the Canadian study cites senior management support as being firmly in place, but acknowledges that this does not necessarily translate into practice across the whole agency. This may be because operational guidelines are inadequate, or because in practice it is extremely hard to eradicate the view that gender is an optional add on. Very careful attention to prevailing institutional attitudes with respect to poverty reduction is clearly likely to be key to effective poverty reduction mainstreaming.

2.5   Monitoring Poverty Reduction Performance

The quality and availability of information influences the effectiveness of an agency's operations across-the-board. Poverty reduction mainstreaming places particularly weighty demands on an agency's information system, especially with respect to accountability and lesson-learning/feedback.

Systems for monitoring and evaluating agency performance in terms of intentions (or inputs), outputs and impact provide the information required for agency accountability. Agencies are accountable for their performance against their poverty reduction goals and objectives to a range of external and internal stakeholders, including:

- their domestic audience (the public and politicians)
- their developing country partners (national and local government, civil society representatives, and ultimately poor people)
- senior donor management

Accountability to external and internal stakeholders is important not only as a measure of agency success, but also because it is central to providing incentives to staff to make poverty their focus. Monitoring and evaluation systems are thus a key management tool for ensuring that a poverty focus runs throughout the agency. Effective systems operate at the following three levels:

- first, there is a need for marker systems to record the spending *intentions* of the agency in relation to poverty reduction: how far do agency interventions actually seek to address the conditions of the poorest segments of society?
- second, the need to monitor the *outputs* in relation to the poverty-related aims initially specified. This also involves monitoring processes, since the process often forms part of the output or even impact (e.g. empowerment) for poor people;
- third, the need to assess estimated *impact* on various socio-economic groups, particularly poor groups (which may be specifically targeted).

Performance monitoring at each of these three levels is usually applied to specific agency interventions. However, assessment of the poverty focus of inputs, outputs and impact is also possible with respect to donor country assistance strategies, or to overall poverty outcomes at the national and sub-national level in partner countries. This is far less frequently carried out. Yet the growing emphasis on partnership suggests that assessment at the country level is increasingly important, though the findings reflect the *collective efforts* of the partner and all the agencies. This kind of country-level monitoring is essential for tracking progress against the international poverty targets.

2.5.1 Input-based Systems for Monitoring Performance

Most agency monitoring concentrates on measuring inputs, in part because it is technically the least demanding but can be used to demonstrate commitment to poverty reduction. Nonetheless, relatively few agencies assess the poverty focus of inputs in a systematic fashion using a marker system. The World Bank, for example, uses a relatively sophisticated input monitoring marker system to identify Bank lending operations with a significant poverty focus. Similar schemes, with varying degrees of complexity, are used or are being introduced by a range of agencies (see Table 2.8).

Table 2.8   Marker Systems for Poverty Reduction in the Agencies

Poverty Reduction Marker Systems in Operation	*Currently Introducing or Planning Marker Systems*	*No Marker Systems*
Canada, Japan (OECF), Germany, Netherlands, Portugal, Sweden, Switzerland, UK, World Bank.	Austria, Belgium, Ireland.	Australia, Denmark, EC, Finland, France, IMF, Italy, Japan (JICA), Luxembourg, New Zealand, Norway, Spain, UNDP, USA.

One limitation of the marker system, apart from that it records intentions rather than outputs or impact on the poor, is that it usually depends on self-assessment by programme managers. As a result, it inevitably has some subjectivity and is frequently regarded as inadequate by staff within the agencies who use it, particularly when the judgement is made by an official well removed from the details of the particular project. Within the Swiss agency for example, the large percentage of projects rated as indirectly or directly targeting poverty reduction is seen by agency staff as devaluing the reliability of the indirect categories and undermining the credibility of the marker system.

There are some figures for the few agencies with such marker systems. Thus, for the World Bank as a whole, the proportion of total investment lending allocated to poverty-targeted interventions (PTIs) was 24 per cent in 1992 and 40 per cent in 1998, reflecting a considerable increase in recent years. UK bilateral commitments to directly-targeted interventions (only) has risen from 7 to 11 per cent (1992-4 to 1995-7), and the Netherlands estimates recent spending on poverty targeted interventions at 19 per cent of the total bilateral programme. Germany's marker system, introduced in 1998, indicated that 55 per cent of all bilateral commitments planned in 1999 were poverty focused. However, because the marker systems are not implemented identically, it is currently difficult to make comparisons between agencies, though comparisons over time within the same agency are possible.

A second limitation is that these marker systems have tended until recently to focus largely on interventions which provide direct assistance to poor people. This has encouraged the view that direct, narrowly-targeted assistance is qualitatively better than indirect measures which often have not scored on the marker systems. This reduces the incentive to make *all* agency activities as poverty-relevant as possible.

However, there is now an interest in making the categorisation wider and more systematic. Thus the UK, for example, has redesigned its input monitoring system in recognition of the

fact that poverty reduction may be promoted at different levels and through different mechanisms. The three categories of its new Poverty Aim Marker (set out in Section 1.1.2) complement *direct* actions with *inclusive* and *enabling* actions.

By recognising inclusive and enabling actions, the temptation is removed to score projects arbitrarily as direct poverty reduction actions. In addition, such a system may provide incentives for country programme managers to look at how linkages with poverty reduction can be strengthened in all projects rather than simply through those directly targeted at the poor. At the same time there is a risk that managers will place every other intervention that is not focusing directly on poverty reduction in those indirect categories in order to demonstrate commitment to poverty reduction. This could devalue the reliability of the indirect categories and undermine confidence in the data produced. In the Swiss case, for instance, the large percentage of projects that score under the system is seen by agency staff as devaluing it. The links between the intended activities and expenditures and poverty reduction must be plausibly demonstrated, or else the system will be meaningless in tracking performance over time or in relation to other agencies.

It is highly desirable for all agencies committed to these objectives to harmonise their marker systems and seek comprehensive coverage. There has already been some harmonisation within the DAC for at least the category of direct poverty reduction. Six countries – Canada, Japan, the Netherlands, Portugal, Switzerland and the UK – are already submitting poverty marker data to the DAC. Further efforts are to be made within the DAC Working Party on Statistics, and there is a strong case for adopting a three-tier poverty marker system along the lines set out above and in Section 1.1.2, and for continued efforts to achieve harmonisation among the agencies.

2.5.2 Outputs and Impact

Many agencies have well-developed monitoring and evaluation systems, using mid-term and ex-post evaluations, to assess the performance of specific interventions. However, these rarely focus on distributional concerns and poverty reduction. Few agencies claim to monitor the impact of their interventions for poverty reduction and even fewer monitor the processes of their interventions in terms of their impact on the poor. Those that do tend to apply these procedures only to those projects with stated poverty reduction objectives (e.g. Germany, Japan, UK).

A large number of agencies have developed 'goal-oriented planning', results-based management, or related logical framework analysis planning systems. These include Australia, Belgium, Canada, the European Commission, Finland, Germany, Ireland, Norway, Sweden, Switzerland, the USA, the UK, and the World Bank. Following the logic of this system, evaluations are carried out mainly in relation to project objectives set at the planning stage. As a result, the ability to monitor results and impact depends critically on a systematic treatment of poverty considerations in the earliest stages of planning. Unless the poverty reduction objectives are clear and explicit and the potential beneficiaries carefully identified at the outset, it is difficult to use any monitoring methods to assess actual results of planned interventions for poverty reduction (see case studies for Canada, Denmark, EC, Germany, and UNDP). The failure to do so has been an area of weakness in many agencies.

A major and recognised weakness is the lack of effort and information on the impact of interventions on poverty. Almost all interventions are planned and undertaken without baseline studies or identifying control groups in order to develop counterfactuals[1], so that even if desired, any disaggregation and attribution of effects to particular actions is extremely difficult. Sweden is in a minority of agencies which has worked with partner countries to develop sex-disaggregated statistics, including impact data. Generally, however, there is little conclusive evidence for most interventions about their actual benefits to poor people or the distribution of benefits among different socio-economic groups. This inhibits the learning of lessons.

Some agencies use logical framework analysis when appraising projects and programmes and also, in theory, as a means of specifying indicators for performance against objectives, including impact assessment. However, the effectiveness of this approach is often compromised when logframe analysis is used more as a vehicle for legitimising a proposal, or as proof of an appraisal well done, than as a tool for monitoring performance. In some cases the logframe has been forgotten after the approval stage and thus little used for performance assessment (examples of this have occurred for Denmark, Norway, Sweden, UK, World Bank, and others). UNDP is currently preparing seven strategic-results frameworks, of which four address thematic foci: poverty/livelihoods, gender, environment, and governance. The intention is that these will assist in moving the organisation from an input-based to an output- and outcome-based management.

It is, of course, possible to gain considerable insight into these effects from monitoring outputs which can be effective proxies (Carvalho and White, 1996). Indeed, some agencies prefer to concentrate on attempts to measure outputs rather than impacts because of difficulties in identifying causality with confidence, particularly in terms of isolating project or programme effects from the host of other causal factors, such as socio-economic, political, and environmental factors (e.g. Austria, Belgium). Also the processes involved in many interventions constitute part of their impact. For those interventions which involve poor people in decision-making processes and create greater awareness of their rights as well as those that build capacity and generate institutional change, successful 'processes' of change constitute a considerable fulfilment of the poverty reduction objective.

The problem is partly a methodological one and partly a lack of guidance to staff. There is also a need for much more attention to techniques which will give better insight into the impact of a range of interventions on poverty. Outputs need to be linked to poverty-related indicators. Hence better indicators must be complementary to improved initial poverty reduction analysis and preparation of interventions. The identification of suitable indicators is one that preoccupies many agencies. Overall, there appears to be a lack of guidance for socio-economic analysis in programme planning: it is thus unclear what indicators, benchmarks, baseline data and subsequently monitoring should be employed. This is important not just for *ad hoc* projects but especially, now, for wider sectoral interventions. Moreover, good qualitative analysis of wider processes of change is essential for those interventions promoting enabling environments for poverty reduction rather than simply targeting their interventions towards the direct supply of goods and services, and towards tangible outcomes (Thin, 1998).

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[1] i.e. how the situation would have developed in the absence of agency interventions.

2.5.3 New Initiatives for Assessing Poverty Reduction Performance

Some agencies are involved in new initiatives that are likely to improve their capacity to monitor poverty reduction performance, some of which are mentioned below.

- The European Commission (DG VIII) has recently launched a study aimed at defining a methodology for assessing the poverty impact of development projects in the ACP countries. Preliminary results, drawn from a country pilot case, will be available shortly and will be discussed internally. In parallel, there are increasing calls for defining a poverty agenda that will include a goal monitoring system.

- Sweden has carried out a baseline study of the agency's approach to poverty and gender. This is designed to increase accountability and to promote stronger linkages between poverty reduction and other sectors and issues.

- The UK's SCOPE initiative seeks to improve ways of monitoring who benefits from outputs of donor interventions and the impact on the well-being of the poor eg. interventions for direct poverty reduction, gender equality and for strengthening social capital, and human rights.

- UNDP is developing frameworks for measuring the poverty reduction outputs and impacts in its regional, sub-regional and country programmes.

- The World Bank is focusing on more thorough methods of assessing impact on the poor using counterfactual methods. A major effort is under way to establish panel data sets in a number of countries that would permit more rigorous impact assessment. This covers the use of household data techniques and participatory information exercises, with the aim of improving the understanding of poverty dynamics.

Although a number of agencies felt that there was a need for greater work on methodologies and techniques for measuring impact, it is important to bear in mind that merely increasing the number and complexity of indicators may not be useful. Monitoring is expensive and although more stringent techniques may provide more reliable data, there are trade-offs between reliability, usefulness, costs, and sustainability. More complex data may be more trustworthy but may not be easily collected and used by either partner governments or donors, given the costs involved and, by the same token, may not be sustainable in the longer term even if developed. In addition, there are questions surrounding the ownership of such data. Given the importance of local ownership of projects, indicators that are readily understood and easily used by all are requisite. However, a very few agencies take a participatory approach to both designing indicators and to collecting data to assess project impact (e.g. Switzerland and UNDP).

Considerable work on poverty impact assessment is underway in a number of fora, and the DAC Informal Network on Poverty Reduction could have a role in ensuring that progress is effectively disseminated across all agencies and partners.

2.5.4 Issues for Better Monitoring of Poverty Reduction

First, most agencies have focused monitoring efforts at the project level. There have been only limited attempts to assess agency-wide performance against their poverty objectives, even for those which have had a formal poverty reduction strategy for some time. With the exception of

some *ad hoc* thematic studies focusing on poverty reduction (Belgium, Denmark, Germany, Switzerland, UK, UNDP), these efforts appear to be merely an annual synthesis of project completion reports.

Second, in current efforts to improve the impact assessment of specific interventions, it will be important to bear in mind the diversity and scale of the problem. No one method is likely to be universally valid. Different approaches will need to be tried before deciding what works and what does not. The DAC Informal Network on Poverty Reduction needs not only to keep abreast of work in this field but also to contribute to judgements about the balance of different types of impact assessment, not only from the point of view of cost-effectiveness for agencies but also for sustainability in the partner country.

Third, monitoring for outcomes and impact at the level of agency country assistance strategies is at a rudimentary stage. Few agencies seem to do this on any systematic basis, although there has been the occasional review or evaluation of the poverty reduction impact of country programmes. This seems to highlight a key problem in the mainstreaming process. While a number of agencies have put considerable effort into preparing country strategies reoriented towards poverty reduction, as yet there is little work on measuring success against stated objectives. Even though many agencies' country strategies contain logical frameworks, indicators are poorly specified and rarely collected, and little priority is given by senior management to holding country programme managers to account against such indicators (see Box 2.5). Without such systems, the country programmes risk remaining strong on rhetoric but weak in practice.

Box 2.5
Measuring the Performance of Country Programmes

The UK is one agency which uses logical frameworks to specify the goal, purpose, outputs, and verifiable indicators for most of its country assistance strategy papers. However, none of the strategies indicate who is responsible, and at what intervals, for collating and analysing the information contained under the Means of Verification column. In addition, indicators are sometimes inappropriate or hard to measure, e.g. 'reports by the Ministry of Local Government' are not, in fact, likely to illuminate the role of civil society in combating social exclusion.

There is a strong feeling within the UK agency that senior management need to take a more proactive role in developing country-level monitoring systems (working with national governments), and to hold country programme managers to account against their strategy documents.

Fourth, there is the vital question of how to monitor poverty reduction outcomes within each partner country. The main need is for collaborative monitoring of multi-donor/partner progress at the country level, especially in relation to International Development Targets. UNDP, the World Bank, and several of the bilateral agencies are carrying out intensive work in this area. The need is for agreed indicators which will monitor progress at country and sub-national (sectoral or regional) level.

This approach also relates to monitoring the poverty impact of sector-wide approaches, where a number of donors are likely to be involved in providing budgetary support, resulting in a combined donor-government effort. The approach taken to monitoring must guard against undermining attempts to develop effective partnership by attempting to separate out individual contributions to sector-wide objectives.

Fifth, it is increasingly important to give far more weight to supporting partners in developing their own capacity to undertake monitoring and evaluation of poverty reduction efforts, rather than spending more money on individual agency work in this area. This may be more cost-effective in the long-term in measuring overall impact for poverty reduction in each partner country. A number of agencies have begun to develop such systems in collaboration with partners. Germany, for example, is setting up Poverty Impact Monitoring Units with partner countries (in Nepal and Sri Lanka). Similarly, Finland is aiming to develop partner country monitoring and reporting rather than using parallel Finnish systems. Other agencies have also expressed the intention of working more closely with partner country governments in undertaking local monitoring efforts, (including Ireland, Luxembourg, the Netherlands, New Zealand, the UK).

2.5.5 Feedback and Learning Systems for Poverty Reduction

Although there is clearly some overlap, it is useful to differentiate between feedback and learning systems. Feedback can perhaps best be described as the process of internal and external reporting on agency actions, whereas learning systems are the processes by which agencies respond to, and adjust their actions in the light of, experience. Both are quite difficult to capture within the workings of donor agencies, although feedback systems tend to be more readily identified as formal mechanisms. In many ways, learning processes may be too subtle to capture in a collection of information on outcomes achieved.

For the majority of agencies, evaluations, mid-term reviews and monitoring reports form the primary source of formal feedback within the institution, with the Evaluation Unit or equivalent largely seen as responsible for disseminating information on agency actions. However, despite the often quite complex monitoring and evaluation systems in operation, donors on the whole seem to be very weak in disseminating and incorporating the knowledge obtained through such systems. Although monitoring and evaluation provides a mechanism for feedback, the process of reporting is seldom carried out in a way that promotes a high degree of institutional reflexivity or responsiveness to the lessons it contains. This finding is hardly new. Since the 1960s, researchers and development practitioners world-wide have repeatedly noted the failure of evaluation output to translate significantly into influence over policy and decision-making (Thin, 1998). Some positive examples of good practice, however, are described in Box 2.6 below.

For a number of agencies, feedback is merely a question of public accountability by means of reports to parliament. Indeed, a key problem is that assessment of impact is often governed less by the desire for institutional learning than by political factors such as donors' and partners' need for good public relations in their respective countries. Problems cited by agency personnel include:

- accessibility and distribution of information through agency structures. Problems arise, for example, where reports are confidential or not distributed, so that the knowledge contained in the evaluations is lost to the majority of staff;

- weaknesses in how information is presented, largely in terms of lack of readability, but also in terms of the quality of analysis. As Thin notes, a lot of feedback takes the form of truisms that are constantly repeated; and,

- the lack of formal requirements to consult existing information.

Box 2.6
Learning Lessons and Disseminating Them: Good Practice

Australia: the findings from Australia's evaluations and reviews are entered into a 'Lessons Learned Database', which is accessible to agency staff and on the internet.

Denmark: the Sector Support Programme specifies that a completion report describing lessons learned during implementation must be written with a chapter on poverty and cross-cutting issues. Full reports and summaries are made available in English and widely disseminated, particularly via the agency's website. Appended to all the evaluation studies is a section on 'Danida comments and follow-up', in which the agency indicates how it proposes to learn lessons from the studies and adapt their policies and practices accordingly. There is no comparable section allowing partners to respond to the evaluation studies, which if rectified would strengthen local ownership and learning.

Canada: efforts are being undertaken by the Poverty Reduction Working Group and the Asia Branch Poverty Project to consolidate lessons learned and to provide workshops and training opportunities in order to disseminate information. The agency is also developing a formal structure for information gathering and dissemination called Phoenix aimed at facilitating the exchange of ideas (via workshops, forums, internal web sites, etc.).

Germany: within GTZ, a Quality Assurance Team 'Poverty, Gender, and Process Management', (with twelve full-time advisers,) has been charged with organising institutional learning with respect to poverty, gender, and process management. It has developed a number of instruments for that purpose: a collection of good practice examples; specific training and orientation programmes for new staff members; pointers on gender and poverty in Project Cycle Management; workshops and discussion groups for bringing together headquarters and field staff; and regular self-assessment of poverty and gender orientation in technical cooperation projects.

USA: the agency's Centre for Development Information and Evaluation also maintains a development experience database with thousands of evaluation reports to help the agency 'learn and share experiences across operating units and with the broader development community'. Evaluation and monitoring tips are included.

2.5.5.1 *Learning Lessons Informally*

Many donors see this as particularly important. For many agencies, informal institutional memory is considered more important than formal systems. In the Danish agency, an informal feedback mechanism is provided by technical advisers. They are responsible for the appraisal and annual reviews of sectoral programmes and participate in cross-cutting task forces responsible for elaborating new sector programmes. With their sector-specific experience from a number of countries, they are seen as virtually embodying the feedback process. Similarly, the Swiss regard see the rotation between field staff and staff at headquarters as critical in building institutional memory. Canada has many formal mechanisms for learning and feedback, but it appears that the vast majority of lessons-learned occur through informal networks, brown-bag lunches and personal exchange. In-country or programme groupings and consultation with colleagues and field personnel are seen as providing the best exposure to relevant information. Similarly, networks of analysts and advisers are heavily relied upon. Much of the effectiveness of these exchanges comes down to the organisational culture of the agency, particularly in terms of their openness and willingness to communicate with each other.

2.6   Conclusions

The effective mainstreaming of poverty reduction requires action by development agencies in three spheres: agency policies, procedures and culture; donor country assistance strategies and interventions; and in agency dialogue with developing country partners. The final test is whether these actions contribute to a partnership with developing country actors which brings concrete benefits to poor people. This chapter assesses whether agencies have been successful in mainstreaming poverty reduction in their procedures and organisational structures and are thus likely to be effective in promoting pro-poor changes at the developing country level (explored in Chapter 3).

The picture which emerges suggests that many agencies have made serious efforts to improve the operationalisation of their poverty reduction goals in the 1990s. However, even among the best there is significant room for improvement, while others have made little progress in translating rhetoric into effective poverty-oriented management systems. The DAC Informal Network on Poverty Reduction could play an important role in this area. Our findings cover four areas: incentive systems; organisational structure; gender; and monitoring and evaluation.

Agency Incentives (Section 2.2): Despite the prominence most agencies give to poverty reduction goals, their incentive systems are not particularly geared towards rewarding the staff's poverty reduction efforts. The most positive finding related to *senior management commitment*. Senior management have an important role in creating a culture conducive to poverty reduction by sending strong and consistent top-down messages underscoring the importance of poverty reduction. In just over half the agencies, staff perceived senior management to be strongly committed to poverty reduction, and moderately committed in a further 25 per cent. Senior management is perceived as giving less strong messages on poverty reduction in agencies that have no explicit poverty reduction goal.

In all agencies there are also a range of *counter-incentives*. In particular, the premium placed by management on achieving a rapid *disbursement of aid funds* is often a disincentive to going the 'extra mile' on poverty reduction – particularly since poverty reduction measures may require a participatory phase and are often seen as complex and risky. A further counter-incentive is the faddishness with which agencies tend to adopt *new objectives*. When new objectives, such as rights-based approaches or children's needs, are 'bolted on' without clearly specifying their priority relative to existing objectives, the risk is that poverty reduction may be 'crowded out'.

There are also various ways in which neutral incentives could become actively supportive of poverty reduction. Although many agencies rely extensively on external *consultants,* their terms of reference rarely include a specific focus on poverty reduction. Similarly, if agencies supply poverty reduction training to consultants it would, at a minimum, emphasise the priority accorded by the agency to poverty reduction, and at best provide knowledge and techniques to operationalise it. Agencies could also give clearer signals to staff to promote an influencing agenda on poverty in their partnerships with *multilateral agencies*. Evidence suggests that, despite senior management commitment to poverty reduction in many cases, the overall management culture tends to be rather *'permissive'*, leaving considerable discretion to individual country directors and departmental heads as to how far they focus on poverty reduction.

Organisational Structure (Section 2.3): There is considerable scope for improving agency performance in mainstreaming poverty reduction by adapting their organisational structures and procedures. A serious shortcoming is the lack of *operationally-relevant guidance* for poverty reduction – far less than for other objectives (e.g. environment, gender, etc.) There are some exceptions, such as Germany and the World Bank, whose guidance materials might be drawn upon by other agencies. Effective mainstreaming is also constrained by the virtual absence of staff training for poverty reduction. Only six agencies provide *any training* whatsoever, and even here staff coverage falls short of what is necessary. There is a major opportunity for agencies to provide staff (and consultants) with practical skills and tools to tackle poverty which are relevant to their particular work.

Experience of mainstreaming gender objectives suggests that agencies should consider use of *focal points or units* to enhance the mainstreaming of poverty reduction. Particularly effective is an approach which makes poverty reduction objectives the responsibility of all staff and *combines* this with poverty focal points, units or task forces which actively promote a poverty reduction focus and provide specialist skills. Many agencies do adopt this approach, but there is great variation in their influence, resources and effectiveness.

Agencies could also increase their mainstreaming capacity by *reappraising their skills base* in the light of the increased weight they now give to poverty reduction. There is little evidence of a fundamental reappraisal to assess whether agencies have the right balance and level of skills, especially in terms of sector-wide approaches, governance and political analysis. Other weaknesses include a widespread lack of micro-level economists, macro-level social development expertise, and in some cases knowledge of basic education and health. Eleven agencies suffer from a general lack of specialists, often due to their reliance on diplomats to implement policies at the country level. However, although increasing the range of specialist expertise is important, greater efforts are also needed to ensure management structures encourage experts to work together in a *cross-sectoral and multi-disciplinary* fashion. Many officials express concern that present agency structures and cultures create pressures for sector-driven and supply-led approaches, whereby country programmes include sectoral interventions to satisfy internal interest groups rather than as a response to a careful analysis of country-level poverty reduction priorities.

An additional organisational factor with implications for mainstreaming is the degree to which agency staff and decision-making are *decentralised* from agency headquarters to the developing country level. Although only six agencies can currently be considered highly decentralised, on balance most officials consider that the advantages of decentralisation outweigh its disadvantages. Empowered country-level staff are seen as better placed to develop effective pro-poor partnerships and to cultivate the trust needed for successful sector-wide approaches.

Mainstreaming Gender (Section 2.4): Gender mainstreaming, which predates attempts by agencies to mainstream poverty reduction, provides a source of lessons. It confirms the importance for agencies to move beyond separate projects for poor people or 'tacking on' components for poor people and instead taking poverty reduction into account in all their activities and dialogues. It also emphasises that increasing participation by the poor is insufficient; the terms of their participation need to be made more equal.

The experience of gender mainstreaming also provides practical lessons with respect to organisational structures. The importance of a structure which combines focal units with the requirement to integrate poverty concerns into all departments and operations has already been highlighted. The need to strengthen links between mainstreaming actions at headquarters and in the field is a further lesson, since progress in mainstreaming at the field level does not always match success at headquarters. Finally, gender mainstreaming and the effective use of gender analysis are likely to be integral to successful poverty mainstreaming. The donor case studies indicate that, although institutional cultures are slow to change, agencies have made considerable progress in mainstreaming gender. The vast majority have organisational structures that, to some degree, are geared towards gender mainstreaming, with eight providing substantial training on gender and only four providing none.

Monitoring Systems (Section 2.5): Poverty reduction mainstreaming requires monitoring systems which provide *accountability* against poverty objectives and effective *lesson-learning and feedback. Marker systems* recording agency intentions with respect to poverty reduction are used by a minority of agencies, although the DAC is already working on promoting more widespread use of markers and greater harmonisation. Marker systems have tended to focus on interventions providing direct assistance to poor people, reducing the incentive to examine the poverty linkages of *all* interventions and mark them accordingly. Some agencies are making progress in acknowledging the value of actions which create an enabling environment for poverty reduction.

The contribution of monitoring systems towards accountability and lesson-learning is currently seriously constrained by their widespread failure to provide evidence on how the *poor in particular* have benefited from outputs or experienced positive (or negative) impacts. The lack of baseline surveys and rigorous evaluation methodologies has prevented disaggregation of benefits by socio-economic group. Initiatives are underway in the European Commission, the UK, UNDP, the World Bank and the DAC Working Party on Aid Evaluation, for instance, to improve methods for assessing impact on the poor, and the DAC Informal Network on Poverty Reduction may have a role in disseminating these findings. It will be important to ensure that impact assessment is cost-effective, sustainable and involves developing country partners.

Holding country programme managers accountable for their performance against the poverty reduction objectives of their *country assistance strategies* would strengthen mainstreaming. Currently, this occurs only very rarely. Further, country-level indicators are poorly specified, rarely collected and senior managers are not held accountable against them. Attempts to hold managers accountable are clearly complex, since if aid is intended to help recipients it is difficult to judge poverty reduction successes in terms of what donors do.

There is also considerable scope for strengthening systems for monitoring the poverty reduction impact of *sector-wide approaches*, in order that their effectiveness as an instrument for poverty reduction can be assessed in future. Both of these critical factors are likely to strengthen efforts by donors and their partners to assess country-level performance against the International Development Targets. Some agencies, such as Germany, are actively engaged in *building partner monitoring capacity*, but considerably more effort could be expended in this area.

3

Poverty Reduction at the Country Level

Introduction

The conduct and effectiveness of poverty reduction operations within developing countries is the best, and in the final analysis, the only test of the DAC members' approaches to poverty reduction and of their efforts to mainstream these concerns in their organisations.

There are four questions that need to be asked about donors' country operations:

1. How do agencies mainstream poverty reduction in their country assistance strategies and their preparation? (Section 3.1)

2. How do agencies see their role in poverty reduction and approach their relationships with various development actors in each country? Have they established pro-poor partnerships? (Section 3.2)

3. How do they select and prioritise interventions for poverty reduction in their programmes? (Section 3.3)

4. What are the main indications of what works and what does not work in specific poverty reduction interventions? (Section 3.4)

The following sections review experience on these questions. This review is partly based on a sample of country cases which were selected by each donor. It also draws on the survey of partner country perspectives commissioned as part of the DAC Scoping Study as well as recent academic work.

The selection criterion was that each country study should represent a good example of how the donor works with poverty reduction. Thus, the agency had full freedom to select a country of its own choice. This puts certain limitations on the extent to which we can draw any general conclusions from each case regarding a donor's preferred mode of intervention. It would be difficult to claim, for example, that the Swedish mode of intervention in Tanzania is representative of Swedish aid in general. Similarly, we cannot say that the US's work in Haiti forms a typical example of how the agency works in countries across the globe. In this instance, the country was chosen to illustrate how the US operates when poverty reduction is an explicit objective of its country strategy. In general, the in-country examples probably represent good, or in some sense, interesting cases from the agency point of view.

Naturally the experiences of 25 donors across 23 different countries are very diverse.[1] Nevertheless, it is not difficult to find patterns and commonalities. As a result the country studies give us useful insights into experiences of what works and what does not. We are also

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[1] Many agencies and researchers identified two or more country case studies.

able to draw on a number of other recent studies to place this evidence in a wider context. Table 3.1 shows which countries were selected by which donors.

Table 3.1   Selection of Country Cases by Agency

Development Agency	*Country Case Study*
Austria	Nicaragua
Australia	South Pacific
Belgium	None
Canada	Bangladesh
Denmark	Uganda
European Commission	Benin, Mali and Peru
Finland	Nepal, Ethiopia, Tanzania and Vietnam
France	Madagascar and Niger
Germany	India
IMF	Bolivia and Uganda
Ireland	Ethiopia
Italy	Ethiopia
Japan	Indonesia
Luxembourg	None
Netherlands	Tanzania, Mali, India and Bangladesh
New Zealand	None
Norway	Tanzania and Bangladesh
Portugal	Mozambique
Spain	Mozambique and Guatemala
Sweden	Tanzania
Switzerland	Nepal
United Kingdom	Ghana
UNDP	Bangladesh, China, India and Philippines
USA	Peru and Haiti and Mozambique
World Bank	Philippines and Indonesia

3.1   Mainstreaming Poverty Reduction for Country Operations

For the majority of agencies, the country assistance strategy (CAS) and the process of preparing it provides the principal mechanism for translating policy on poverty into effective practice. For most, therefore, the CAS lies at the heart of poverty mainstreaming.[2] Mainstreaming involves at least four main elements:

- a country assistance strategy (CAS) process which ensures that poverty reduction goals, aims and objectives are taken into account;

- monitoring and accountability for implementing the agreed CAS and achieving its objectives;

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[2] Agencies without a country assistance strategy or equivalent are Belgium, and Italy. Austria and Spain have only very recently introduced the CAS system, and Belgium is intending to introduce it. Information was unavailable from the Luxembourg and New Zealand studies.

- a CAS process that is participatory – i.e. involving systematic consultations with both partner country authorities and civil society;

- CAS and resulting programmes, including support for developing country national poverty reduction strategies, should be based on a good understanding of the partner country's poverty situation and the opportunities for interventions which are likely to impact on this.

Currently, these elements concern the agencies' own management systems and procedures and are therefore largely under their own control. They are necessary but not sufficient conditions for effectiveness in making an external contribution to poverty reduction within a country. Mainstreaming poverty reduction *within the country* is, of course, primarily achieved by national governments and local stakeholders themselves. Country attitudes and country policies and capacities are at the centre of a process to which donor agencies can contribute. It therefore follows that, in the relationship between the agencies and the domestic authorities, the processes of partnership, dialogue and negotiation may well be as important as the specific interventions which agencies fund in trying to benefit the poor. The extent to which partnership and dialogue can be seen to have focused on poverty reduction is explored in Sections 3.2 to 3.4.

A twin-track approach to improving country assistance strategies is required. Immediate efforts are needed to improve the quality of poverty analysis and its linkages with actual donor country programmes, and to make the process a more participatory one involving governments and civil society more substantively. However, agencies and their partners will need simultaneously to explore how the country strategy process can become a more collective one, centred on a poverty analysis and poverty strategy developed by government and civil society themselves. If a twin-track approach is not adopted, and all agencies strive to improve their poverty analysis and become more participatory, duplication will increase and the burden on the partner country administration and civil society will become intolerable.

It is likely that even when country strategies are developed collectively, with partners in the driving seat, development agencies will still need to retain some form of strategy document. However, it will be a very different document and process than hitherto, drawing extensively on the nationally owned strategy and focusing on the agency's 'niche' within that strategy and the human resource and expenditure implications of filling that niche. Agencies will need to respond to any demands for assistance in developing nationally-owned poverty reduction strategies, whilst being extremely careful not to distort or dominate the process by which it is developed.

3.1.1 Do Agencies Require the Incorporation of Poverty Objectives into Country Assistance Strategies?

One factor which is likely to influence whether or not donor strategies focus on reducing poverty is the existence of an explicit requirement for country programme managers to have a poverty orientation. Table 3.2 reveals that, of the 26 agencies on which a judgement was possible, only 9 unambiguously require their country programme managers to concentrate on poverty reduction strategies in their CAS. Many systems are generally permissive, such as those for Canada, the EC (DG IB) and Japan (JICA) which are nevertheless agencies with

formal poverty reduction goals. To an extent, the lack of formal procedures and guidelines for the incorporation of a poverty orientation may not matter too much if there is a strong agency-wide goal and committed senior management. This seemed to be the case in Switzerland, though it may be easier to achieve in a small agency.

Table 3.2   Mainstreaming of Country Operations

	Yes	*Some*	*No*
Poverty reduction (PR) required in country strategy (CAS) document	Australia, EC DG VIII, Germany, Ireland, Luxembourg, Netherlands, Sweden, UK, UNDP, World Bank	Canada, Denmark, Finland, Japan, Switzerland.	Austria, Belgium, EC DG IB, France, IMF, Italy, New Zealand, Norway, Portugal, Spain, USA
Senior HQ approval/screening of CAS by PR criteria	Australia, Denmark, EC DG VIII, Finland, Germany, Ireland, Luxembourg, Sweden, Switzerland, UK, World Bank	USA	Austria,* Belgium, Canada, France, IMF, Italy, Japan, Netherlands,* New Zealand, Portugal,* Norway, Spain

* Agencies planning screening procedures

Nine agencies, a significant minority, explicitly require a poverty orientation in country strategies and programming. For most of these, the management drive behind this is apparent in senior management screening systems for assessing the poverty focus of the CAS (see Table 3.2).

The World Bank is one of the agencies that does have formal requirements for the CAS to include the poverty reduction objective, including a list of key poverty and social development indicators. An attempt is under way to shift the focus from describing poverty to formulating strategies for its reduction. This is not always fully implemented in practice, and the influence of poverty assessments on the CAS was seen as modest in 1995 (World Bank 1995: 75). In part, this may reflect the considerable discretion available to country directors. In 1996 the Africa Region Task Force on Poverty judged that country managers typically did not identify actions that would benefit the poor. Nevertheless, there has been marked improvement in the quality and poverty focus of the CAS over the past few years (according to an Internal Review in 1998), and although there is room for improvement, the World Bank has progressed further than many bilateral agencies in this respect.[3]

In Denmark, also, there is a requirement to consider the consequences of the country strategy for poverty reduction and to present a gender-specific analysis of poverty problems and strategies, though there are some important limitations. CAS are not required to address the needs and strategies of poor groups. Perhaps more importantly, given the increasing centrality of sector-wide approaches, it is not clear how sectoral strategies will ensure a poverty focus. For the UK, country strategies have had little substantive focus on poverty reduction in the

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[3] Relatedly, a paper completed for the SPA in September 1998 concluded that all recent World Bank Policy Framework Papers and Structural and Sectoral Adjustment Credits did state poverty reduction as a central policy objective, representing an improvement on earlier years (DFID 1998). The record on gender issues was less encouraging, with the proportion which include gender issues in the discussion of main objectives falling to 7 out of 12.

past. However, new guidance has been issued since the 1997 White Paper to try and ensure that poverty reduction goals are central (see Box 3.1).

3.1.1.1 *Screening the Poverty Content of Country Assistance Strategies*

Table 3.2 also shows that ten agencies have a senior management system for screening the poverty reduction focus, among other things, of their CAS. High-level scrutiny can be extremely important in generating pro-poor incentives within the agency, as well as acting as a guarantee of actual 'poverty content'. This is likely to be most effective if the system encourages a multi-disciplinary and cross-sectoral approach to the process of preparation and approval. Scrutiny by senior sectoral experts is important in ensuring that approaches genuinely focus on meeting the needs of the poor and are not simply 'dressing up' old approaches in 'pro-poor clothes'. Similarly, adequate involvement by cross-cutting experts, including those on gender, social development, institution-building, governance, and economics, is more likely to ensure that a rounded approach to poverty reduction is adopted, addressing a range of dimensions of poverty, and also that the political, social and cultural context is taken into account. Senior expert inputs need to be provided sufficiently early in the process to allow the full benefits to be realised, and not simply as part of the final 'signing-off' process, which sometimes occurs.

In the case of the UK, a very high-level committee scrutinises country strategies, and the rejection of one as being insufficiently focused on poverty reduction has acted as a powerful spur for other country programme managers. The European Commission (DG VIII) has taken its first explicit step on poverty reduction under the EDF 8 programme, with new guidelines which require dialogue with partners to determine framework commitments and priorities and

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Box 3.1
Example of Guidance on Ensuring a Poverty Focus in CAS

Programmes should cover:
- causes, characteristics and consequences of poverty
- quality of governance, human rights, status of women, children's rights
- analysis of the development problems contributing to, and resulting from, poverty and the processes which are leading, or could lead, to poverty reduction
- potential for partnerships with government for poverty reduction
- prospects for partnerships with civil society and local government
- current UK use of aid and influence to pursue poverty reduction
- strategy, and need for reorientation in order to achieve poverty reduction - based to a varying degree on partnership with government depending on the level of commitment

Source: UK case study

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conditions for achieving poverty reduction objectives, including the identification of poor groups. DG VIII also recently introduced the practice of regular reviews of Country Strategy Papers for National Indicative Programmes by the Committee of Member States, which is considered to be having some effect in focusing them, *inter alia,* on poverty objectives.

3.1.2 Participation in the CAS Process

The value of poverty-focused country strategies lies in the process as well as the content. A process of dialogue with the developing country government and representatives of civil society has potential to ensure that poverty-oriented development assistance contributes to

poverty reduction not just by supporting specific interventions but by supporting pro-poor policy reform. The process could contribute to a more open discussion of public expenditure and policy priorities, bringing together government, civil society organisations and development agencies.

Table 3.3   Participation in CAS Process

	Yes	*Some*	*No*
Participation by government in CAS process	Australia, EC DG VIII, IMF, Japan, Norway, Sweden, Switzerland, UK (recently), UNDP, USA, World Bank	Austria, Canada, Finland, Ireland, Italy, Luxembourg, New Zealand, Portugal	Belgium, Denmark, Netherlands, Spain, Germany
Participation by local civil society in CAS process	Sweden, UK (since 1998), UNDP World Bank	Austria, Canada, Finland, IMF, Ireland, Japan, New Zealand, Norway, Switzerland, USA	Denmark, Germany, Italy, Netherlands, Portugal, Spain

The donor case studies reveal that the formulation of country strategies has sometimes involved extensive participation by the partner government, most obviously for Australia, the EC (DG VIII), Germany, the IMF, Japan, Norway, Sweden, Switzerland, UNDP, the USA, the World Bank and, recently, the UK (see Table 3.3). However, this did not always involve a strong focus on poverty reduction *per se*. At the same time, attempts to go wider and involve other stakeholders (such as local government, trade unions, NGOs, and the private sector) at an early stage have been very rare (see Table 3.3). Only Sweden, UNDP, the World Bank and, since 1998, the UK, have made reasonably systematic efforts, while 11 other agencies have sought substantial participation in some country strategies. It remains unclear, however, exactly how the (varied) interests of the poor will be effectively represented in this process, particularly since NGOs cannot automatically be seen as adequate representatives of the poor, given the lack of participation and accountability of many of them (Riddell, 1996).

Box 3.2
Moving from 'Top-down' to 'Bottom-up' Approaches to Developing CAS: the World Bank

The process by which the World Bank prepares its CAS has become more participatory than hitherto, involving the government as well as other stakeholders in the borrowing countries. These changes have been underpinned by greater decentralisation in the Bank (see Section 2 above) and by the more 'client driven' approach built into the President's 'Strategic Compact: Renewing the Banks Effectiveness to Fight Poverty' (World Bank 1997b). As a result, CAS papers can more legitimately be seen as negotiated documents, and this is reflected in the 1998 decision to make the CAS a public document, subject to partner government agreement.

The World Bank and the IMF are currently developing a new approach to country programming, centring on support for partner governments in developing national Poverty Reduction Strategies Papers. These are intended to operationalise the Comprehensive Development Framework by:
▪ developing a comprehensive understanding of poverty and its determinants;
▪ choosing public actions that have the highest poverty impact;
▪ setting and monitoring key poverty outcome indicators.

Source: World Bank case study; World Bank 1999

Overall it is ironic that, despite prominent rhetoric on the value of participation and ownership, the process of preparing country strategies has usually been top-down and donor-dominated for most agencies. This has been recognised by some development agencies, and innovations are under way (see Box 3.2).

As discussed in the introduction, however, it is essential that moves towards a more participatory approach are coupled with moves toward a more collective approach. This will need to be centred on a strategy development process that is led by the developing country authorities, in conjunction with civil society and the donor community. If each donor (and northern NGO) sought individually to involve the government authorities and civil society organisations more systematically, the burden on partners would be enormous. It should also be added that the term 'civil society' itself needs unpacking, and many donors remain rather unclear on what basis they should select 'representatives of civil society'.

3.1.3 Analysis of Poverty at Country Level

Far more donor CAS include references to poverty data than in the past. Table 3.4 shows that very few donors make no systematic use of poverty assessment data, and that the majority make at least some use of data prepared by others. These sources include: partner government statistics and reports, UNDP Human Development Reports, World Bank Poverty Assessments (PAs), and Participatory Poverty Assessments and studies prepared by other bilateral donors (occasionally). However, very often the use made of poverty data is relatively superficial, and the linkages between analysis of the nature and location of poverty and the strategy and programme of interventions are weak. Practice is beginning to shift, and Australia now requires as part of country strategy preparation that recent poverty assessments are acquired from other agencies (usually multilateral) or that a new assessment is undertaken. To some extent this reflects weaknesses in the data source itself. Poverty Assessments have been a major source of insight and have improved significantly in quality, but many remain better at describing poverty than identifying its causes and developing policy recommendations, though this is also improving.

Another factor is the lack of guidelines for the CAS process which indicate that it should begin with a comprehensive assessment of the nature of poverty, its causes and possible options for its reduction, and then articulate a programme with clear linkages to this analysis, reflecting the priorities thrown up by it. Further thinking, resulting in practical tools, could assist in the preparation of poverty assessments that more obviously lend themselves to operational conclusions. Equally, the problem could usefully be addressed from the other end, by considering how the process of preparing CAS could be adapted to make fuller use of the assessments.

Poverty assessments are mandatory for World Bank programmes, and increasingly in UNDP. A few bilateral donors conduct their own local contextual analyses of poverty (see Table 3.4). As part of the CAS process Sweden, for example, insists on a thorough analysis of the causes of poverty, identification and location of the poor, and information on other actors contributing to poverty reduction in the country and their capacities. The USA, for its six strategic goals, identifies 26 more specific performance goals associated with 30 post-facto indicators.

A few agencies undertake gender analysis which feeds into their country programmes, notably Canada, Sweden, and UNDP, and to some extent Denmark, Netherlands, the UK, the USA, and the World Bank. Sweden has developed country gender profiles as an important input into the CAS process, and which are now available for all of Sweden's major partner countries. Very few donor gender analyses however, appear to have any explicit poverty focus or to analyse the poverty-gender linkages. UNDP is trying to address this by supporting policy research to examine the linkages between macroeconomic decision-making and micro level experience. It is collaborating with a range of partners to strengthen the capacity of statistical and national-accounts methodologies to reveal gendered aspects of aggregate economic activity. A notable example concerns 'women's budgets' in South Africa. On the expenditure side, the initiative examines which groups will benefit from services and in what way. On the revenue side, it considers such issues as the incidence of taxation and user fees – assessing, for example, whether particular revenue raising measures will increase women's unpaid labour time and the gender implications of cost recovery in health.

Table 3.4   Sources of Data on Poverty Used in CAS

Conducts own Poverty Assessments	*Draws on Others' Poverty Assessment Data*	*No Systematic use of Poverty Assessment Data*
Denmark (some) France (through IRDEC) Netherlands (some) Sweden, Switzerland (some) UK (some), UNDP, USA World Bank	Australia, Canada, Denmark, EC (some), Finland, Germany, Japan, Netherlands, Norway, Switzerland, UK, UNDP, USA, World Bank	Austria, Belgium, Italy, Luxembourg, Portugal, Spain

Overall however, there are problems for individual donors in the process of poverty data collection and analysis. A number of countries freely admit that they do not have the skills to undertake their own poverty analyses, especially among the smaller agencies. Agencies lack guidelines on obtaining primary and secondary data for poverty reduction. Some call for the use of standard tools and criteria for poverty analysis and monitoring. A major part of the problem is that the sometimes innovative work carried out on ad hoc basis by some bilateral donors is not systematically shared with other agencies.

There is little sense in every agency trying to develop its own assessments. Coordinating the collection and dissemination of poverty data is an important area for donors to address, since there can be substantial economies of scale and skills. This shortcoming presents a good opportunity for improving practice, reducing duplication, and increasing the depth of knowledge available to all on causes and possible solutions to poverty reduction.

More fundamentally, improving donor practice in this area is only part of the story. The principles of sustainability and ownership place the primary responsibility on the partner authorities. In the long run substantial progress in reducing poverty relies on integrating insights from poverty assessments into the decision-making process of the partner government. Thus, agencies need to make more effort to strengthen government capacity in

this area, and there is considerable scope to develop and utilise the capacities of in-country research institutions, which have been seriously under-exploited to date.

3.1.4 Linking CAS with Benefits for the Poor

Clearly, ensuring that CAS have a coherent strategy for reducing poverty is insufficient on its own. The extent to which poverty-focused country strategies result in well designed and implemented interventions for poverty reduction is key. This point has been highlighted by the World Bank's Africa Task Force which concluded that whilst many CAS appeared poverty-focused, the activities on the ground were far less so (World Bank, 1996). For most agencies there is scope for giving greater weight to the importance of making the links between the poverty analysis, the CAS, and the actual interventions.

There is not much systematic evidence available as to how far CAS and the associated systems for their scrutiny, have ensured that practical benefits have been delivered to poor people. Observation of seven poor country situations indicates that the major European agencies usually lacked a precise poverty strategy, including identification of the poor, nor did they have an explicit strategy on whether to concentrate on interventions with a direct or indirect focus on poverty (Cox *et al*., 1999). Their programmes did reveal a poverty orientation, though this varied widely between and also within agencies across different country programmes. The Netherlands had coherent strategies for poverty reduction in Bolivia, in Burkina Faso and to some extent in Tanzania. Denmark had a poverty reduction orientation to its activities in Bolivia, Tanzania, Nepal and Zambia. Germany had a coherent poverty reduction strategy in Bolivia and Burkina Faso, Nepal and to some extent in India, while the UK had a poverty orientation in India and partly in Tanzania.

3.1.5 Accountability: Monitoring the Benefits to the Poor of Country Strategy Implementation

Even the agencies that require some incorporation of poverty reduction objectives into country strategies and portfolios rarely require a careful monitoring of the extent to which these objectives are implemented. Although most agencies have systems in place for monitoring the performance of country programme managers against spending targets, albeit sometimes ineffective ones, there is no similar system for assessing performance against poverty impact. Improved monitoring and accountability would strengthen pro-poor incentives and provide added impetus to encourage officials in the complex task of implementing poverty-focused interventions.

Many agencies use logical frameworks as part of their CAS documents. In theory, these should specify indicators against which progress in implementing country strategies could be measured. Yet these indicators are often vague or simply refer to (often unreliable) national government statistics. Equally important, the documents do not indicate who is responsible, and at what intervals, for actually collating and analysing the information listed in the logframes under the Means of Verification column. Adopting DAC-wide reporting standards could help improve practice substantially.

A recent review of social policy in selected IMF programmes indicates that recent structural adjustment programme (ESAF) documents have given greater weight to poverty reduction, yet the reporting of outcomes is extremely weak. Overall, data collection and reporting are weak for most countries, targets relating to poverty reduction are unclear and the reporting of outcomes is not compatible with the target specified. Information has improved – previously there was almost non-existent reporting on social policy – but a great deal remains to be done (Curto, 1998).

The World Bank appears to be the partial exception. It has indicators for the extent to which its country programmes are focused on poverty in terms of inputs, requiring country managers to record the extent of their poverty-targeted interventions (PTIs) (see Section 2.6). However, a recent report identifies that the weakness is the lack of clearly specified monitorable poverty reduction outcomes for the CAS.

The United States has a sophisticated system for performance monitoring, which seeks to track the progress of countries against the International Development Targets (IDTs) on poverty reduction and its related targets. It recognises, however, that progress against these targets cannot usually be attributed to specific or even collective donor-funded interventions. How to assess, even in broad terms, the benefits which flow to the poor from agency-funded interventions remains a vexed issue, particularly as any systems must avoid undermining the principle of agency-government partnership by seeking narrow attribution (see Section 2.4).

A recent innovation, pioneered by the German agencies, is the creation of a Poverty Impact Monitoring Unit as part of German's co-operation with Sri Lanka. Its specific role is to provide services to donor-assisted projects and programmes as well as to the government of Sri Lanka, and is intended to assist in the development of a national poverty reporting system. This type of initiative may contribute to a better formulation of country poverty portfolios and may be replicable elsewhere if successful.

Better systems are needed, however, for reasons of accountability, improved management and the creation of pro-poor incentives (see Section 2.4). To ensure the maximum benefit, such systems could be compatible with, though not limited to, the sub-indicators already developed as part of the work on the IDTs. Monitoring should be done in partnership with developing country authorities – an approach which is more likely to be sustainable and which is particularly well-suited to the increasingly dominant sectoral programme mode of support. Considerable work is on-going within the Working Parties on Statistics and on Evaluation with respect to accountability mechanisms. The DAC Informal Network on Poverty Reduction could play an important role in ensuring that this work specifically addresses poverty issues and is effectively disseminated across the agencies.

3.2 Partnership and Coordination at the Country Level

How do donors see their own role and how do they approach their relationships with others for poverty reduction in-country? This question covers two well-established issues in the discussion of development cooperation: the nature of the *partnership* between donors and recipients; and the effectiveness or otherwise of mechanisms for *aid coordination and dialogue* between the different bilateral and multilateral organisations. Related to the second point is the broader issue of cooperation, whereby agencies go beyond coordination and agree to pool funds. In view of the generally-recognised failings of past practice under both headings, there is a widespread tendency to search for new approaches to these issues.

So far, there are no signs of this search leading to a single set of answers. In particular, there are different views of the relationship between partnership and coordination. For one group of donors, moving towards better forms of partnership with recipient governments is the key to more rational and effective aid coordination. For other agencies, there is an explicit or implicit belief that the two issues are better addressed separately (for example because partnership is conceived primarily in non-governmental terms, or because coordination is seen as appropriately undertaken by the multilateral agencies). Cutting across this basic divide is a general concern that the modalities of partnership and coordination should be instruments of, not obstacles to, greater effectiveness in poverty reduction.

3.2.1 Approaches to Partnership

The concept that development assistance is, or should be, based on a partnership – that is, an agreement to engage in a common endeavour, with rights and obligations on both sides – is by no means new. The basic notion is that, as far as possible, aid delivery should take the form of a relationship between equals, in spite of the underlying inequality of economic, diplomatic and strategic power. This has most often been expressed as a vague principle, but occasionally also in the form of legally enforceable reciprocity (as in the case of the Lomé Conventions between the European Union and ACP countries; Cox *et al.,* 1999).

In the past, it was seldom specified what precisely development partnerships were *for*. Today, increasingly agencies are adopting the view that the purpose of building partnerships is poverty reduction. This is a view that has been strongly reinforced by the DAC's work on partnership, set out in its *21ˢᵗ Century* document (DAC 1996). Partnership concepts have also developed as a result of three other sources of influence, that seem to be important in different degrees to different groups of donors:

- disillusionment with the conditionality approach to influencing recipient priorities (Section 3.2.1.1)
- success in exploring new non-governmental partnerships (Section 3.2.1.2)
- awareness of various limitations of the project mode of aid delivery (Section 3.2.1.3)

3.2.1.1   Donor Conditionality and Poverty

In the past two decades, partnership concepts have experienced an uneasy coexistence with the use of development assistance, and in particular general programme aid (balance-of-

payments or budget support), as a lever to influence recipient governments' policies and induce fundamental reforms. Most donors have gone down the road of using programme aid in this way, though a perception has grown among some of them that the reality of partnership is a quite heavy-handed use of economic power by one partner to secure changes in the policies of the other.

Research on policy-based lending suggests that the bargaining relationship underlying structural adjustment lending was actually much less unequal than 'ethical' criticisms had supposed (Mosley *et al.*, 1991). It was also quite successful in assisting policy changes, such as exchange-rate liberalisation which could be implemented swiftly and that partner governments wished to introduce. Conditionality was generally far less successful in achieving the broader and longer-term transformations in policies and institutional frameworks needed for economic recovery (e.g. Killick, 1998).

The evidence suggests that political conditionality has been, if anything, less effective than economic conditions (Selbervik, 1997). This may imply that pro-poor conditionality is also unlikely to be effective, at least if it is framed in broad terms. There have been relatively few examples, however, of unambiguous pro-poor conditionality in practice. Examples of the use of conditionality to promote distributive decisions which favour poor people, for instance, are quite rare. The nearest example is the Bank's inclusion, in its ESAF programmes, of a requirement that a specified percentage of GDP or public expenditure should be allocated for social-sector spending. In a recent internal evaluation of UK support to poverty reduction in Zambia, this was found to be the sole example of 'donor policy influence through conditionality' producing a specifically poverty-oriented (if rather roughly targeted) result (Atkinson *et al.*, 1999). The EC, under the European Development Fund, has introduced an element of conditionality by providing its aid in two tranches, though there is no particular poverty focus to its performance criteria.

Although there has been relatively little use of explicitly pro-poor conditionality, many agencies continue to favour conditionality in some form as a useful political lever. Finland's development work is based on the principle of *positive conditionality,* with the twin pillars of incentives and prevention. This means merit-based increases of support to partners judged to be sincerely committed to environmentally sustainable policies to reduce poverty, and to improving democracy, human rights and equality. If a partner country lacks sufficient commitment to common objectives and no improvement can be gained through dialogue, Finland's bilateral and EU aid can be temporarily discontinued or UN or EU-defined sanctions imposed. Germany, on the other hand, adopts a model of political conditionality, setting five criteria believed to contribute to good governance standards: respect for human rights, popular participation in political decisions, the rule of law, introduction of a social market economy and the development commitment of the partner government.

Finally, the Partner Country Perspectives Survey of recipient-country informants, commissioned as part of this study, elicited quite favourable views on aspects of donor conditionality from over half of those consulted. The overall response from interviewees in the five country case studies was that donor conditionality is a necessary part of funding and, furthermore, can play a positive role within the partner country. Conditions applied in the areas of good governance and democracy, in promoting issues such as gender and the environment, and in demanding accountability and transparency of aid spending were seen in

a positive light by respondents. Developing country informants were critical, however, of conditionalities which tie agency contributions to the use of goods and services from the donor country. Technical conditions were seen as inflexible and restrictive, and while respondents generally welcomed donor demands for greater accountability and transparency in aid management, they felt that donors failed to apply the same criteria to their own work.

3.2.1.2 *Different Pathways to Partnership*

These elements form the background to the partnership concepts that currently inform the country operations of the DAC agencies. The common feature of the response is the wish to engage in a more genuine form of dialogue with aid recipients, in which the donor exercises its responsibilities towards taxpayers at home, not by setting conditions and exerting financial pressure, but by selecting its partners more carefully and exercising influence on that basis. Some agencies – for example Sweden since *The Rights of the Poor* (1996/97) and the UK since its 1997 White Paper – have to some extent opted to go simultaneously down both paths. However, these principles can and do lead in different and even opposite directions.

One is the path that leads to the development of a closer and more mutual relationship with selected *governments* – those with which the donor reckons to share a basic commonality of purpose. Normally, this means getting closer to the executive branch – finance ministries, planning commissions, line ministries, etc. In principle, however, it can and should imply a relationship with parliaments and other national institutions of accountability. It can also apply to any level of government – national, regional or local. Donors that have adopted this approach in principle and see it as a vehicle for implementing a strategic orientation towards poverty reduction, include Denmark, Finland, Netherlands, Norway, Sweden, the UK and possibly Ireland.

For them partnership is about redefining government-to-government relations, though it goes beyond this. It also leads on to interest in more flexible methods for supporting government budgets (Foster and Merotto, 1997) and new approaches to aid coordination in which the national government is 'placed in the driver's seat'. The recommendation of the recent DAC review of the international aid system in Mali – 'progressive adoption of a programme approach where activities are managed by Malian institutions' (OECD/UNDP, 1998) – seems to point strongly in the same direction. It is clear, however, that this perspective on the partnership/coordination question poses a specific and quite difficult set of questions from the point of view of effectiveness in poverty reduction. These relate closely to questions about favoured modalities of implementation such as sector programming (see Section 3.3.2).

The other form of partnership concept is somewhat less recent but continues to be strongly defended, including by some agencies that also believe in building a stronger relationship with the recipient government. It forms the staple approach of a number of smaller donors for whom a modest scale of operations is suitable. It is also favoured by several large donors, especially Germany and to some extent the USA, that have never embarked on a programme-aid approach using aid as a lever for influence and giving such a central role to dialogue with the government.

If the first option involves getting closer to governments, what distinguishes this second path is the attempt to move away from too narrow a focus on government by giving significant

priority to building partnerships in civil society, and with private or voluntary organisations and community-level structures. Twinning towns or districts in developed and developing countries – a comparatively recent innovation actively pursued by European donors such as France, Italy and Spain – seems to represent an interesting intermediate case, although with no obvious focus on poverty reduction.

The 'civil society' approach has obvious appeal. It gets away from the central difficulty facing the government-to-government partnership approach – that it is not so easy to find governments, in the developing world or anywhere else, that are ideal partners in an effort to shift resources and patterns of development towards the poor. It is also one way of coping with the central problem of corruption and lack of accountability of some partner governments. Non-governmental and especially community-based organisations offer, on the face of the matter, clear advantages from the point of view of targeted anti-poverty work and learning-based approaches.

Exponents of the 'civil society' approach typically reject the charge that they are bypassing the government (except where the approach has been adopted deliberately as a means of maintaining aid in a country ruled by a 'pariah regime' of one kind or another). Nevertheless, important questions remain to be asked about this form of partnership where it is pursued as an exclusive option. The findings of the recent World Bank study, *Assessing Aid*, of the conditions under which aid works (World Bank, 1998a) tend to confirm the good sense of the principle: if the policy environment is not right and government does not work, nothing works. There is therefore a strong case for giving at least some attention to relations with government, though the methodology and conclusions are not universally accepted. Furthermore, governments are not monolithic, and it is possible to seek out those parts of government where potential exists for pursuing pro-poor policy and practice. The UK, for instance, has abandoned its concept of 'full partnerships' with ideal partners in recognition of this fact, and currently adopts a far more pragmatic approach to pro-poor partnerships.

3.2.1.3   Past Lessons Imply Getting Close to Government

Partnership approaches of the first (government-to-government) type are not attempting to crack just one nut – that of discovering channels of influence that are ethically defensible and actually work – but two, and indeed perhaps three, if more effective aid coordination is included. The second nut to be cracked is that of finding channels of aid delivery that do not seriously undermine the recipient's capacity for rational and accountable resource allocation.

Some agencies, disillusioned with the record of projects, favour forms of partnership which imply a closer than ever relationaship with governments, whereby funds must be kept within the government budgetary processes. Three points seem key:

- The multiplication of projects, even when formally managed by government staff, can be institutionally corrosive, diverting officials' time and effort from more central tasks and creating 'islands of excellence' (and improved pay for a few) that demotivate and demoralise (Harrold *et al*., 1995; Norton and Bird, 1998).

- Donor interventions outside the budget undermine efforts to improve national budgeting and implementation processes, and interfere with efficient resource allocation by distorting the picture of available resources in relation to policy objectives.

- More positively, funding through official budgets permits larger disbursements in support of poverty reduction, at lower transaction costs for both recipient and donor (Foster, 1998, citing UK experience in East Africa).

According to one view, so long as donors insist on channelling their funds outside the recipient government's budget process, they will remain 'part of the problem rather than part of the solution' (Foster and Merotto, 1997). For the time being, no agency has been prepared to make this its collective position, and the project approach is expected to have many adherents for the foreseeable future. Nevertheless, the case for a more balanced approach, in which much *less* support is channelled outside the budget, is likely to be increasingly influential.

3.2.2 Partnerships with Government: Four Challenges for Donors

Considering the number of donors that have formally embraced this form of partnership concept, there are surprisingly few that are able to specify criteria and mechanisms enshrining the approach. This is a fairly serious deficiency, because it is clear that there are already some major pitfalls to be avoided and donors have not entirely avoided them in their practice to date. These have to do with four major themes: implementing selectivity, securing ownership, maintaining coherence, and getting the balance right between different partnership modalities

In addition, there are important questions about the new skills required from donor organisations.

3.2.2.1 *Implementing Selectivity*

The principle of selectivity is essential to the partnership idea, and has been given a substantial boost in the World Bank's recent report *Assessing Aid* (World Bank, 1998). This involves agencies abandoning traditional conditionality and instead choosing to work with a more limited set of governments with which they share a basic commonality of purpose. Advocates of the principle consider that selectivity permits some leverage over the content of domestic policies through the 'gentler and more effective' means of continuous dialogue about the implementation of shared principles.

Implementing selectivity through to its logical conclusion would involve curtailing aid to non-performers or governments with whom commonality is not felt to exist. There are doubts as to whether this will be politically acceptable, given the pressure on donor agencies to 'fly the flag' for commercial and diplomatic reasons and the very real disbursement pressures they face. It also assumes that there are simple and unequivocal rules for selecting which governments are appropriate partners and which are not.

In practice, agencies find four sorts of difficulty in establishing consistent policies and practices in this area:
- what are the appropriate criteria for choosing countries? They may share donors' poverty reduction objectives but not meet other donor criteria (for example, they make war on their neighbours);

- how do they recognise a pro-poor government when they see one? A UNDP count found that 78 countries now have a national poverty reduction plan or have poverty reduction built into their national development plans but experience shows these kinds of steps are neither necessary nor sufficient for real commitment;

- states and governments are not homogeneous, sectorally or in terms of level of operations. Even within governments where the overall environment does not appear promising for poverty reduction, there may be ministries where the prospects are reasonable;

- governments and sections of governments that qualify without reservation as good partners are subject to the vagaries of politics. Governments and ministers can fall from one day to the next. What was widely regarded as the most promising health-sector partnership in Africa unravelled in the space of a few weeks following a change of minister in Zambia in 1998.

3.2.2.2 *Securing Ownership*

By definition, these more recent approaches to partnership involve donors' agreeing to fund *government-led* expenditure plans, reflecting government vision and subject to national accountability. It is clear from experience so far that one of the principal obstacles to progressing with the approach is the shortage of governments, or even sectoral or local authorities, that have both the commitment and the capacity to move into 'the driver's seat' in this sense. Building capacity clearly must, therefore, have a place in any work plan to strengthen partnerships. An example of this is provided by Sweden's efforts to work with the Ugandan Government, NGOs and some like-minded donors to put partnership and ownership into practice by creating a poverty reduction fund based on Uganda's own Poverty Reduction Action Plan. In 1998 in Namibia, the Government sought Sweden's support in developing a National and Regional Poverty Reduction Plan, which is seen as the first step towards a similar partner-centred, donor-supported action plan.

However, there is an obvious danger that, whatever form it takes, technical cooperation to support local planning capacity may simply result in donor policy agendas prevailing by another route. Also, pressure on recipients to exercise ownership can and does produce nominal, instrumental declarations of ownership. At present where government or ministries are unable or uninterested in projecting their own vision, both bilateral donors and the World Bank show an unhealthy tendency to press ahead regardless, particularly in the area of sectoral programmes (Oxford Policy Management, 1997).

Indeed, sectoral programmes currently present the largest risk of a big gap opening up between the rhetoric of ownership and the ground reality of donor dominance. Enthusiasm for the sector-wide approach combined with traditional disbursement pressures could result in agencies facing almost irresistible pressures to take the lead and impose their views on sector policy. The costs of going down this road, and possible means of avoiding it, call for more serious attention. A sound and simple principle would be: donors should stop trying to get into the driver's seat, and other donors should get out of the car when another one does this.

Finally, there are difficulties relating to the technical work and confidence-building needed to reconcile different national accountability requirements with those of the host state. Especially where a large number of agencies are involved, this will be slow and difficult.

3.2.2.3 *Maintaining Coherence*

This refers to the coherence that needs to be maintained between the partnership objective and the poverty reduction objective. It is not yet clear, from the limited experience gathered so far, that funding government programmes through budgets can be easily reconciled with a strong emphasis on poverty reduction. The problems to be resolved include:

- matching necessary attention to improvements in expenditure programming and management information systems with measures to ensure improved access and impacts for poor clients;

- establishing systems for monitoring effectiveness in reaching agreed targets in respect of outputs and access, disaggregated by socio-economic group and gender;

- developing forms of dialogue across the partnership which are capable of addressing any tendency for it to go off the rails in terms of poverty reduction or equity objectives – an appropriate but effective substitute for old-style conditionality.

At present, most agencies have no more than a vague idea of how they plan to address these issues. They are discussed and illustrated further in relation to sector programming in Section 3.3.2.

3.2.2.4 *The Balance of Modalities*

More recent partnership principles are applicable to any level of government but are being applied on a significant scale only to sectors and, in a few instances, to sector-based decentralised authorities. (As an example of the latter type, the Zambian health SWAp began with an injection of non-earmarked Danish and UNICEF funds into a 'common basket' controlled by the District Health Board; Atkinson *et al*, 1999: Annex 5). The process is being driven, correctly in view of the arguments reviewed above, by the availability of partners with both some commitment to poverty reduction objectives and a willingness to assume the driver's seat. However, this poses a serious risk of distorting overall expenditure priorities, as already well-funded and self-confident sectors attract the lion's share of additional donor funding.

Where some sector-wise decentralisation of spending decisions has taken place, the attraction of common-basket funding could also lead to inequities between areas and regions – perhaps justifiably, if such inequity provides an incentive to under-funded districts to 'get their act together'. Most seriously, the advances by ministry-led partnership funding could pre-empt a necessary debate about which modality of partnership – central government, line ministry or local government – is most favourable to poverty reduction and improving access by, and responsiveness to, poor people. The implications are picked up and followed through in relation to sector- and area-based approaches in Section 3.3.

3.2.2.5 *Are Donors Equipped to Meet the Challenge?*

How well equipped are donors to meet the challenges identified above? This question is related to, but goes somewhat beyond, the issues reviewed in earlier sections about capacities for mainstreaming poverty reduction. Building partnerships for poverty reduction is a new and, for most agencies, unfamiliar art or science. Two types of skill seem likely to be in especially short supply when and if it becomes normal to deliver aid primarily in this form.

One is the skill to engage routinely in a more sophisticated form of stakeholder analysis than the type that has been developed for project appraisal. The judgements about partner interests, motivations and openness to dialogue that are required for donors individually and collectively to embark on partnership ventures with some chance of success are not going to be easy.

The other need arises from the observation that within a partnership approach, quite ambitious forms of organisational development are required on both sides. However, organisational development specialists are to be found only in extremely limited numbers in development agencies at present.

3.2.2.6   *Partnerships: Views from the Partner Country Perspectives Study*

The message from the Partner Country Perspectives Study is that donors should perhaps look at their own deficiencies in terms of human resource capacities, before focusing on the needs of the local partners. Many of the skills in which respondents saw room for improvement were the same as those in which donors required improvements from partner institutions. In terms of more specific observations, there is an emphasis on less complex administrative procedures and the need to develop common procedures amongst donors to reduce the administrative complexity for partner authorities. There is also an emphasis on decentralisation of donor decision-making to field offices to cut down on the time required for processing proposals. This also suggests that physical nearness is important for a good dialogue. Lastly, donors should be more accountable and transparent in their aid funding and develop more efficient and responsive administrations.

Problems of sustainability and efficiency and a lack of donor commitment to poverty reduction are described as arising from the indiscriminate use of expatriate consultants and materials. By failing to use local resources, donors fail to recognise and support indigenous capacities and undermine the ownership of projects and programmes which in turn weakens their sustainability once the donors withdraw.

3.2.3   Effectiveness of Existing Mechanisms for Coordination and Dialogue

Coordination and dialogue at present take place at several levels:
- the international level – e.g. Paris Aid Group; SPA mechanisms;
- the regional level (eg the annual Pacific Donors' Consultation, established by Australia in 1997);
- the national level – bilateral aid talks;
- the national level – multilateral fora, e.g. the Consultative Group process; sector-based groups; and among EU members;
- the sub-national level – e.g. with district-level government, or with the Indian states.

There is little evidence to suggest that much of this coordination effort involves dialogue on poverty reduction issues. Much is concerned with the exchange of experience, limiting duplication, or narrow technical issues. However, there are exceptions, and across the board the profile of poverty reduction a number of fora seems to be increasing.

3.2.3.1 *Where Government is in the Driving Seat*

In the case studies, the effectiveness of coordination in general is seen as being strongly dependent on the capacity and willingness of the recipient government to lead the process, and to reject proposals which do not fit in with a national strategy. This presupposes the existence of a national strategy. Government success in leading the process is partly seen as a function of experience, where governments with greater experience of working with donors, such as Mozambique, are more effective than those with limited experience, such as Guatemala. It has also depended on political stability; rapid change of government in Nepal is widely seen as having crippled coordination.

The extent to which poverty reduction issues are central to coordination depends on the commitment of both the national government and the donors. Denmark's experience of coordination at the level of donor sector groups in Uganda suggests that the degree to which poverty reduction is a major preoccupation varies widely across the different groups, which are attended largely by donor officials. Generally, many agree that the basic functioning of different groups tends to depend heavily on individual personalities. In some countries (for example, the Egypt, Pakistan, and Yemen) there is close donor coordination on gender-equity issues from which there may be useful lessons for advancing a common poverty reduction agenda. However, although these groups generally seek to involve government representatives, they are probably not good examples of active government participation.

Some efforts have been made to raise the profile of poverty reduction in coordination fora. Sometimes poverty reduction is placed on the agenda in high-level talks and this may have some positive benefit by raising the level of debate on poverty and ensuring that developing country negotiators are better briefed on poverty issues. Much coordination is, however, donor-dominated, and can leave developing country governments disempowered. Coordination in Indonesia, for instance, was led very effectively by the World Bank, but may have resulted in some feeling that, presented with a donor carve-up of responsibilities, the Government of Indonesia was left with few choices.

Some donors have tried hard to step back and leave the host government in the driving seat, but have failed due to rapidly changing governments and a lack of capacity (e.g. Germany (GTZ), Switzerland and UNDP in Nepal). Others (e.g. Ireland, Italy in Ethiopia, Japan, Norway and the UK) consider that discussions about budgetary priorities in the context of sector-wide approaches may the most effective way of focusing on poverty reduction issues, as well as heightening partner ownership.

3.2.3.2 *Dialogue and the Consultative Group Process*

If the partner is to be in the driving seat on poverty reduction, it is important to ask how governments with limited commitment or understanding of this objective and its implications are to be persuaded. Dialogue therefore becomes a vital issue, though not the only one, since commitment alone will not deliver poverty reduction. Dialogue, in turn, involves questions of the institutional fora in which such dialogue on poverty is to take place effectively.

The Consultative Group (CG) and Round Table process emerges as a vehicle for coordination and presumably dialogue, though with some varying views on its effectiveness. In Ethiopia, Nepal, Tanzania and Vietnam, Finland has found the Consultative Group meetings to be very

important fora for pushing poverty reduction, and considers the background papers prepared for them often provide the best poverty-related data. UNDP considers Round Table meetings to be an important forum for national authorities to mobilise support for their strategies and policies and the external funding needed to implement them. Experience has been mixed but with some successes in Lesotho and Niger where donors, apparently impressed by the respective national government's resolve to tackle poverty, have pledged their financial support for the government's national poverty programmes.

As part of the CG process in Tanzania, UNDP facilitated a long process of national and local-level consultations across the country, aimed at identifying the characteristics and root causes of poverty, and the most promising approaches to its reduction. The Government of Tanzania used this to develop a National Poverty Eradication Strategy, on which Finland now centres its bilateral negotiations. However, there were limits to this process since not even the 'like-minded' group of donors have yet agreed to pool their funds and embark on a common aid strategy.

Japan's experience of the CG process in Indonesia was that it centred on information-sharing and avoiding duplication. Poverty had not been on the agenda until the recent Asian crisis which did result in poverty and the protection of vulnerable groups becoming a major issue at donor meetings, leading to information exchange but also some consensus on measures to be taken and a division of responsibility. OECF itself works primarily at the macro and sectoral levels, and allocates loans on the basis of consensus-building with the government. This dialogue is seen as important for guiding the Indonesian Government to a more pro-poor orientation.

A recent evaluation of the UK programme in Zambia found that CG meeting reports over the years 1990-97 paid limited attention to poverty reduction issues at the beginning of the period but substantially more at the end. The UK's own dialogue with the Zambian Government did not focus strongly on poverty implications of the changes it was most active in supporting: improved macroeconomic management, public service reform, privatisation and good government (Atkinson *et al.*, 1999: Annex 3).

The study cited earlier, of European agencies' activities in seven poor countries (Cox *et al.*, 1999), reveals that they have not so far really engaged in a dialogue process on poverty-reducing policies at the national level either individually or collectively, although there have been some exceptions. Germany has held an Indo-German Round Table on Cooperation for Participatory Poverty Alleviation, jointly organised with the Indian Ministry of Finance which brought together decision-makers from the donor agency, the Finance Ministry, the State governments, academics, practitioners, and representatives of Indian and German NGOs. This examined the status of poverty, new priorities for poverty reduction, and the role of bilateral cooperation in this. It found that a continued emphasis on health was justified, but also that focus was needed on specific areas such as integrated family planning, rural water supply, low-cost housing, rural development, the environment and the protection of natural resources.

The German approach in India is interesting also as an example of trying to mainstream poverty in a country where foreign policy and foreign trade considerations play a crucial role, and poverty issues come much lower down on the national development agenda. Germany is pursuing a strategy which is based on a double-tier approach: 50 per cent of its aid is devoted

to directly targeted poverty reduction efforts and the other 50 per cent to the strengthening of the economic performance of the modern sector to contribute to employment-intensive broad-based economic growth (and German commercial interests).

There are also cases where some European donors have held dialogues with State governments in India and at the sectoral level. State-level discussion has been seen by agencies as being more conducive to effective dialogue on poverty reduction, partly because donors have greater clout than at the national level. There has also been some involvement in trying to influence the policy environment for the poor in national fora and through CGs. However, there has been little or no coordinated work between European agencies on a process of consensus-building with their common partner on poverty reduction strategies.

Agencies with limited field presence or with limited delegated authority were ineffective participants in coordination. For example, Portugal has a large programme in Mozambique, but its lack of a field office and the embassy's lack of authority and funds of the embassy (all is managed from Lisbon) prevented effective coordination. Donors such as Finland have made statements about the increasing importance of close policy dialogue, but in reality lack the personnel in embassies to be substantively involved in such dialogue on a year-round basis.

The above suggests that some headway has been made in giving poverty reduction a more prominent place at, and in the margins of, the CG meetings. But there remains room for improvement.

3.2.4 The Role of Multilateral Agencies and their Interaction with the Bilateral Agencies

UNDP often plays a major role in promoting better coordination by providing a forum for discussion, and has also carried out important work in the area of human development indicators. It now has a keen interest in poverty reduction. The agency has made the strengthening of the coordination roles of its country offices and commitment to the resident coordinator system a priority for 1998: one in four coordinators comes from outside UNDP but UNDP provides the coordination support structure through its offices. UNDP launched a Poverty Strategies Initiative in March 1996 aimed at supporting countries in developing national poverty eradication plans and strategies (realistic, affordable, time-bound goals for poverty reduction) and the elaboration at national level of definitions and indicators to assess the nature, extent, and distribution of absolute poverty.

In late 1997 the UN Development Group began piloting the UN Development Assistance Framework (UNDAF), whereby each country will develop a framework to target its key developmental problems and define the role of each UN agency in meeting these problems. UNDAFs are prepared by the full UN country team under the authority of the Resident Coordinator. This appears to work to varying degrees, in some countries the framework is little more than an amalgamation of the activities of each UN agency, while in others a more genuinely strategic approach is being adopted. Some within UNDP hope that increased donor coordination may lead to a common diagnostic framework for conceptualising the causes of

poverty and developing solutions. UNDP has begun an 18-country pilot project aimed at simplifying and harmonising programme tools within the UN system and beyond.

Few of the case studies mention the European Commission (EC) as being a focal point for coordination in general or on poverty in particular. The UK has several positive experiences of close coordination with the EC, in Bangladesh and India for instance, where the EC's resources were effectively combined with the UK's better long-term specialist expertise in the field. Success hinged on both partners not trumpeting success on an individualised basis. Also, the UK Presidency of the EU in 1998 concentrated on poverty and a working paper on poverty reduction resulted. The Commission notes that it systematically consults with Member States, and the rotating chair is taken by whichever Member State holds the Presidency. This mechanism is not mentioned in the Member State case studies, and there is little evidence that it focuses on poverty reduction issues.

The EC is of the opinion that UNDP and the World Bank are trying to impose their views and methods on recipient countries. However, there is little evidence of the Commission actually trying to balance this by supporting the capacities of the countries to define their poverty agenda themselves. Desk officers and Delegation staff are frequently so fully absorbed in monitoring their own – typically large and diverse – portfolios, that little time remains for reflection or dialogue on poverty reduction.

The World Bank tends to be a focal point for coordination on poverty reduction, although in the past it was often criticised for paying insufficient attention to the subject in its own lending programme. The extent of Bank dialogue on pro-poor policies and approaches with partners in sub-Saharan Africa was found to have been modest by the Africa Region's own Task Force Report (World Bank, 1996). Currently, however, there seems to be considerably increased momentum for this type of action, with greater mainstreaming of the three-pronged approach and encouragement from senior management for country directors to pursue more open and responsive dialogue with partners.

In India, one coordination mechanism is the World Bank-led India Development Forum, which is particularly concerned with macro policy. However, some feel it has neglected social policy concerns and has looked at poverty in narrow income terms only. The Forum has recently considered basic social services, in large measure because of the tabling of a document by UNDP supported by several donors, including Germany.

The World Bank's Special Programme for Africa Plenary and its Working Group on Poverty and Social Policy were mentioned by several donors as important vehicles for co-ordination at the international level (e.g. Denmark, EC, Finland, Italy, UK, USA). The UK felt that the Working Group's annual analysis of the poverty and gender focus of the Bank's Policy Framework Papers had contributed to an existing trend towards deepening this focus. Some within the EC are concerned that the Group lacks strategic direction and that its outputs do not have much influence on the SPA Plenary, partly because they lack operational implications.

Finally, there is the interaction between the multilateral and the bilateral agencies in relation to poverty reduction. Some bilateral donors (Canada, the EC, Norway, and the UK, among others) give considerable importance to seeking to influence the multilateral agencies in a

more pro-poor direction. The USA pays special attention to developing relationships with regional multilaterals. Effective promotion of a poverty agenda is usually perceived as working best at the country level.

The Italian cooperation programme also recognises the value of influencing the multilaterals, and has had some success in working with UNDP on the PRODERE refugee programme in Central America to achieve a more participatory approach. Canada considers that it has had some success in encouraging a more poverty-oriented agenda within the World Bank and within the Consultative Group system (e.g. The Consultative Group on International Agricultural Research). Others lack the analytical capacity (not only the smaller donors but also apparently the European Commission) to propose alternative approaches. Often a split organisational structure (aid and World Bank relations handled separately) prohibits an influencing agenda (in Spain, but also many others). Bilateral agencies have also sought to influence the World Bank particularly in a more pro-poor direction at the country level, often through CGs.

3.2.5 Partner Country Perspectives on Donor Coordination and Dialogue

Respondents in the Partner Country Perspectives Survey emphasise the importance of national autonomy in deciding national policies and strategies without outside interference or pressure. Ideally, national governments should establish a national policy and programme and coordinate the actions of donor agencies in order to reduce competition and overlap between donors, and between donors and partner country institutions. Donor agency interventions should then complement the national plan. Where weak institutional capacities mean that governments are unable to play such a coordinating role, donors should seek to support the development of such institutions. As a result, common areas in which donors could contribute to the development of national strategies and policy were seen as: raising awareness of poverty issues at all policy levels; institutional capacity building, particularly in supporting national and regional government departments; data gathering and analysis on the poverty situation in particular countries; and promoting issues of good governance, in particular, promoting transparency and accountability in relation to aid funding.

Donors must also look carefully at their own performance before judging too harshly the performance of partner country institutions. For example, it is felt that one important element of donor leverage on national governments is by means of ensuring effective targeting of donor funds for poverty reduction, and donors have much work to do in making advances on this front.

Overall, however, coordination for poverty reduction is seen as seriously lacking, due to:
- lack of government capacity to coordinate and insufficient efforts by donors to boost this
- lack of knowledge on the poverty context on the part of government negotiators and lack of preparation
- failure genuinely to include civil society representatives in dialogue and coordination
- donor approaches remain top-down
- excessive competition between bilateral and multilateral agencies; too much territorialism, nurturing of and fighting over specific NGOs while others go unsupported

▪   a blinkered approach and the belief by each donor that it has 'the answer'

3.3   Prioritising Poverty Reduction in Agency Country Programmes

In principle agencies decide priorities among various types and modalities of intervention on the basis of their country assistance strategy (CAS) and approach to relationships in-country. This section considers the criteria on which such choices are based, in principle and practice, and the role poverty reduction plays in this. It then discusses several modes of intervention widely used by donors: projects, sectoral approaches, area-based interventions and support for decentralisation. Some experiences in the application of these approaches are reviewed, with emphasis on key issues that have been raised about their relevance and usefulness to poverty reduction.

3.3.1   Country Programmes: Poverty Focus and Targeting

There is no common set of criteria used by development agencies to assess, even in broad terms, the poverty orientation of their country programmes. Given this lack of agreed criteria for assessing poverty focus, it is not surprising that the CAS documents of most donors rarely provide a clear picture of the extent to which poverty reduction has been prioritised in a country programme. Few articulate the linkages between the choice of specific interventions or a particular sectoral focus and benefits for the poor. Part of the explanation lies in the fact that, as noted in Chapter 1, few agencies have a clear conceptual framework for poverty linked to strategies for its reduction, and therefore it is difficult to judge which interventions can be considered poverty-reducing. The lack of a requirement that CAS focus explicitly on poverty also contributes, as does the limited use made of poverty assessments (see Section 3.1).

Experience from the European donors' country programmes in seven poor countries confirms what emerges from the Scoping Study case studies – that there is little explicit indication of the prioritisation of poverty reduction relative to other development and non-development (e.g. commercial) objectives. Instead, agencies often adopt a 'pragmatic' approach, whereby a particular balance of interventions is chosen on the basis of past experience, perceived comparative advantage and discussions, generally without a specific poverty focus, with partner governments.

While there is often a focus on particular sectors, there is little evidence that these have been prioritised following an inter-sectoral assessment of the relative 'poverty bang per buck' of each sector in terms of reducing poverty. Generally, the criteria for the selection of sectors (or projects) are implicit (and not elucidated) rather than explicit and related to poverty reduction. Whole sectors are regularly seen as being proxies for poverty reduction, without a careful consideration of which particular intra-sectoral activities are most likely to benefit poor people, and what the most appropriate sequencing of activities might be.

Despite this rather gloomy picture, there are numerous instances of particular donor country programmes providing clear, poverty-based justifications for their choice of interventions. Ireland states that it prioritises interventions in isolated areas and through the lenses of gender equality and participation by poor people. The European Commission and France have justified actions with reference to international goals such as the 20:20 principle or, in the case of Sweden for instance, by focusing on social sectors as proxies for poverty reduction.

A number of agencies focus their work at the sectoral and micro level (Denmark, Finland, Ireland, Norway, and Spain), with Denmark, Finland and Norway stating that they combine this with capacity-building measures. Canada, France, Switzerland and the USA indicate that they work across all levels, although, in the case of France, this is not focused on poverty reduction as such. The Swiss most obviously emphasise explicit linkages in their country programmes between the macro, meso, and micro levels, in order to augment and support impacts at each level. They argue that, as a donor with little financial leverage, the quality of their work at the project level gives them legitimacy in policy dialogue with recipient governments.

UNDP sees the joint UNDP/ILO 'Jobs for Africa' programme as one which is attempting to achieve consistency between macro plans for public investment and micro decisions in communities so that governments are encouraged to review all their public investment programmes to determine their community impact on employment and poverty. The idea is that public sector infrastructure projects such as rural roads, bridges and irrigation works should be concentrated in areas where the poor can gain more long-term benefit from the infrastructure. Local communities should be involved in selecting the projects and when agreement has been reached, funds should be disbursed directly to the communities so that they can hire the most cost-effective local contractors thus generating local employment.

3.3.1.3   To Target or not to Target?

The study of the estimated or likely impact of 90 poverty reduction interventions of European donors suggests that those that were directly targeted have more impact on the poor (Cox *et al*, 1999). Although this is indicative, it is not conclusive, and in part the poverty-reducing credentials of direct assistance derive from insufficient efforts to assess the impact of population-wide interventions on poor people. This shortcoming could be addressed by greater use of household surveys and participatory or contextual studies.

Development agencies have varying views on when or whether it is useful to target poor people specifically, though it is rare that the pros and cons are discussed in country strategies.

The World Bank has a clearer position on targeting than most. It adopts direct (or narrow) targeting for its PTIs in countries where poverty is geographically concentrated, its causes are well understood, and the government possesses the administrative capacity to use targeting mechanisms. Its indirect (or wide) PTIs are undertaken where these conditions do not hold, that is, in countries where poverty is more dispersed and government capacity is limited. It is far from clear, however, that this rationale is systematically applied. Between 1992 and 1995 only one out of 24 PTIs in sub-Saharan Africa was direct, yet it is questionable that poverty is quite so uniform and capacity quite so lacking as these figures would tend to suggest.

Generally, the Bank's direct PTIs tend to be targeted according to location, for example improving social services in ill-served and tribal areas, or providing drainage and water supplies in poor urban areas. About half of all PTIs targeted the poor through agricultural and rural development projects.

A few donors reject the principle of targeting, as opposed to simply not putting the principle into practice. The Swedish and Norwegian programmes appear to reject targeting poor people *per se* in their Tanzanian country programmes. The Swedish programme focuses on macroeconomic reforms, democracy, public administration, education, rural development, energy and telecommunications. Since poverty reduction is the overarching goal of Swedish aid, the rationale of their programme may be explained in one of two ways. Either, that there is no need to talk about targeting the poor, since the whole population is poor, or there is a belief in the trickle-down effect, reinforced by a poverty-oriented policy dialogue.

Similarly, Denmark does not favour targeting interventions specifically at poor people. This view is based, in part, on a concern that the more successful the targeting, the smaller the political constituency for an intervention. It can also be defended on the grounds that excessive reliance on direct targeting may imply a lack of commitment to a more genuine partnership with national authorities, which will naturally have a population-wide orientation. Canada, in contrast, does not take a principled stance against targeting, but has no clear guidance on when to target. Targeting mechanisms are used on rather an *ad hoc* basis.

When weighing up the relative merits of universal versus targeted approaches, there is a case for differentiating between basic service provision and interventions in the productive sectors (e.g. agriculture, fisheries, manufacturing). Targeting mechanisms may be particularly important in the productive sector, where untargeted support can empower the active and better-off members of the community, often at the expense of the poor, and may actually exacerbate the concentration of assets in the hands of the non-poor (see Cox *et al.*, 1999: Chapter 6). However, with respect to the provision of basic services, such as primary health or education, some argue (notably within Nordic agencies) that the long-term benefit of the poorest is best served by providing good quality services on a population-wide basis. If basic health and education services are exclusively targeted at the poorest, the 'not-so-poor' will have to secure access through private routes. This may undermine their willingness to pay taxes, yet taxation is likely to provide the most sustainable financing for services.

If universal or near-universal provision is adopted for basic services, it is often essential to consider whether there is a need for complementary measures to ensure that poor people are not marginalised. A good example of this is the support provided by Germany (GTZ) to the Burkinabé authorities in providing drinking water to the poor and non-poor alike. The objective of universal provision is coupled with a careful analysis of the particular constraints facing poorer groups, particularly women, in accessing drinking water. This has resulted in the adoption of a pricing policy which cross-subsidises from richer and larger clients to poorer consumers, from metered users to users of public fountains (*ibid*.). Interventions designed to make services like primary health or education broadly available need to be matched by targeted 'awareness creation' and 'demand generation' among poor people. Without such complementary measures, utilisation by and benefits for the poor will remain very low, as occurred in a UK health project in India (*ibid*.).

Generally, the impression is that OECD donors across the board make relatively limited, though varying, use of poverty targeting mechanisms. A study of ten EU donors concludes that for India, Zambia and Zimbabwe, often a half to three-quarters of interventions have no clear poverty focus (Cox *et al*, 1999). Generally it found that:

- often projects did not select the poorest geographical regions, districts or villages
- often the poorest individuals or groups were not focused on, in particular the landless
- mechanisms to reduce the leakage of benefits to the better-off were often lacking
- the lack of targeting mechanisms to prevent the marginalisation of the poor from project benefits was particularly significant in the 'productive' sectors, where those with assets such as land and water tended to corner the benefits.

However, there appears to be a strong case at the very least for considering whether there is a need for mechanisms that will prevent the poor from being excluded from the fruits of development.

3.3.2 Revealed Choices of Modes of Intervention

3.3.2.1 *The Continuing Popularity of Projects*

At least since the 1960s, the project has been the dominant mode for channelling donor support. Over the years, it has been subjected to much criticism, most of which is quite familiar and need not be discussed in detail here. Among the various critical points, three stand out:

- the project mode easily leads to the construction of enclaves with few spread effects to surrounding areas;
- it has usually been characterised by strong donor dominance in both the design and management stages, with resulting problems of sustainability. Sweden is one donor that has found that the project mode inhibits the scope for local ownership;
- project support often uses channels that bypass the Ministry of Finance in the recipient country which, for the reasons outlined in the previous section, has a distorting effect on national planning.

Despite these reservations, the project mode is very much alive and well, and remains the instrument preferred by donors. In part, this is because it gives donors greater control over outcomes, seen as providing a better guarantee of effectiveness. In part, it is because old habits die hard. Austria, for example, has its focus on the micro-scale rather than the macro-level, and is committed to project funding rather than budget support. Its activities typically involve technical assistance for income-generating economic activities. Portugal and Australia are also small donors that have traditionally preferred project aid and technical assistance and still do, but have strengthened their emphasis on programme aid. Portugal has started to grant debt relief and budget aid aimed at strengthening the social dimensions of structural adjustment and has begun to work more closely with civil society organisations.

Projects still dominate the portfolios of larger donors as well, but other modes of intervention such as programme support and sectoral programmes are generally much more important for them. These alternative approaches have often been preferred because they open up a policy

dialogue with the recipient country government on issues such as economic policy and political reform.

Most donors combine various modes of intervention, depending on the specific country circumstances. For example, the United States uses a combination of direct assistance, policy dialogue and collaboration with the government and NGOs. The European Commission finds that a combination of micro and macro modes of intervention is particularly effective for poverty reduction. On the one hand, the Commission focuses on supporting the delivery of basic social services through budget support. This is done through the use of counterpart funds, generated by structural adjustment support. On the other hand, there is support to grassroots mobilisation and participation through targeted and micro interventions. This is implemented through NGOs and/or decentralised government bodies.

The Dutch are working with what they call programme financing. What in the past might have been a cluster of projects is transformed into a support programme for a specific organisation. This type of financing is sometimes referred to as institutional financing in which a cluster of projects and a core programme are financed for a longer period. The instrument is being gradually introduced (Netherlands MFA, 1996). UNDP also favours a 'programme approach', which in this case refers to an approach termed 'national execution', which purports to integrate externally-supported interventions within nationally-defined programmes. The respective roles of government, UNDP, and specialised agencies, however, remain to be clarified, and the optimal way of involving the UN specialised agencies while respecting the newly increased responsibilities of government similarly requires further consideration.

3.3.2.2   *Sectoral Approaches*

Recognition of the limits of the project mode has led a number of donors to seek other methods for aid delivery, particularly methods that tend to increase local ownership and achieve a greater integration of donor and government effort. One response has been to give priority to sectoral approaches, which take two main forms. For some years, the World Bank has led the funding of Sector Investment Programmes (SIPs). Several bilateral donors – most especially Denmark, Finland, Norway, Sweden and the UK, and others – participate in SIPs, but in theory, at least, give preference to Sector-Wide Approach programmes (SWAps).

These somewhat different approaches to sectoral programming have in common the fact that they are designed to create a supportive framework for the delivery of services to clients, including the poor. This involves improved coordination among the funders, and requires increased trust between partners. The recipient is supposed to have sufficient implementation capacity. Within this general framework, however, some significant divergences have emerged. The SIP approach, the most common until now, retains the identification of individual donors with particular components of the programme, which remain in this sense projects. The process of putting together a SIP also involves, in typical cases, fairly active brokerage by the World Bank, and an element of conditionality remains, to 'buy' policy reform and place some restrictions on the use of funds (Oxford Policy Management, 1997).

In contrast, the SWAp approach presupposes a more active role for the national government in coordinating donors, formulating policies, setting priorities and implementing programmes. Funding is, in principle, not earmarked at all, but is deposited in a 'common basket' subject to agreement between the partners on certain broad principles governing the use of the whole basket. For these reasons, it is quite important not to confuse SIPs and SWAps, or to talk loosely about *the* sectoral approach. Although SWAps in the full sense are very recent experiments and still few in number, they have come to be regarded as the modality *par excellence* through which to implement a partnership strategy for poverty reduction (Cox *et al.*, 1999: Chap. 7).

SWAps imply a different approach to the management of aid from that donors are traditionally used to and organised for. This type of sectoral programme management is seen as primarily a task of the national government, which implies the merging of principles of accountability and a high level of trust between the parties. It requires donors to set aside their own priorities and accept locally owned strategies. It certainly calls for greater modesty and acceptance of what may need to be quite a slow pace of change – with the emphasis on a process of partnership-building rather than the implementation of a blueprint (*ibid.* and UK case study).

In the face of this challenge, donors seem to be adopting a range of attitudes. Even among supporters, it is possible to detect a certain scepticism about the whole approach. Sweden, for example, proposes in the longer term to channel all its aid through the Ministry of Finance in the recipient country, so that it is shown as revenue in the national budget. As part of this strategy, Sweden has expressed a commitment to sectoral programmes. In practice, however, it takes a somewhat passive stance and does not work actively to promote sectoral programming. In Finland, there were strong expectations that the project mode would give way to multi-donor sectoral programmes in quite a short time. However, these hopes have been disappointed, and enthusiasm for the idea may have waned as a result.

On the other hand, the UK, a relatively recent convert, has become an active promoter of SWAps. The UK believes SWAps may provide a good mechanism for discussing resource allocation, equity and effectiveness issues relevant to poverty reduction. Funding sectoral plans is found to have the considerable benefit of internalising issues that form part of the environment for projects (for example, excessive expenditure on regional hospitals at the expense of primary care; Foster, 1998).

UK experience so far suggests that successful sectoral plans are more likely when the government is given sufficient time to develop its own strategy (this may mean two or three years, as, for example, in the Ghana health case). The extent to which there is a government-led coordination process may be undermined if donors are too eager to start disbursements, or if too many donors feel the need to highlight 'their' individual contributions.

Experience with sector-wide approaches is so far quite limited and donor approaches are to a large extent still in the process formation. It is already clear, however, that there are a number of issues to which donors committed to the approach need to be able to respond:

- On the government side, developing the necessary strategic vision and then backing this with sufficiently agile and transparent systems for budgeting and expenditure control is likely to prove time-consuming and costly in scarce human resources. The overcrowding

of donor monies in certain sectors, e.g. health and education, may be increasing this strain on national governments' capacities and resources.

▪ There are major donor-side obstacles to the necessary harmonisation of procedures (Foster, 1998) and maintenance of ideological consensus (Cox *et al.*, 1999: Chap. 7), as well as difficulties in keeping the bigger players out of the driver's seat. The temptation will also be strong for participating donors to agree to fund only activities that figure in the government's expenditure plans but then to lobby for inclusion of their own projects in those plans.

▪ It is not clear how easily the SWAp approach can be reconciled with a strong poverty focus. Even in the social sectors, and most particularly in the productive sectors, adoption of a sectoral approach does not *per se* deliver an emphasis on poverty reduction. Particularly in view of the first point, regarding the intensity of effort required, deliberate agreed steps may be necessary to ensure that progress is made not only in producing better services but also in improving access to them and their ability to impact on the lives of poor people (Booth, 1998). As Cox *et al.,* (1999) put it in their review of European donor experience:

> The challenge … is to combine upstream policy and system-oriented interventions with downstream interventions which directly involve communities in the improvement of their own health and education status. There is need for targeting mechanisms to be devised and built-in for services to disproportionately reach poor areas, communities and groups. There are few examples of this in practice so far.

Donor guidelines on sectoral approaches, where they exist, do not at present place much emphasis on meeting poverty reduction objectives (DANIDA, 1998; Netherlands MFA, 1996; Forrester and McLoughlin, 1998; and internal DFID papers). However, some donors such as the UK are beginning to map out an agenda for bringing social-development perspectives, including a poverty focus, to bear on the question of SWAp management (Norton and Bird, 1998).

▪ The relationship between decentralisation of decision-making and responsiveness to the needs of the poor is an issue in relation to SWAps, as it is more generally. Supporters of the sectoral philosophy insist that it need not involve a top-down, centrally-planned approach (Cassels, 1997; Foster, 1998). On the other hand, the suggested way of countering such tendencies – common funding baskets for District Health Boards within a decentralised ministry structure – does not guarantee policies that increase access and quality of service from the point of view of the poorest and most excluded groups, some of whom may not participate in the formal health-care system at all (Atkinson *et al.*, 1999: Annex 5).

▪ As this suggests, channels for dialogue and influence need to remain sufficiently smooth for donor concerns to make themselves felt without upsetting the apple-cart altogether. Experience generated by the DAC Working Party on Gender Equity is relevant here. This suggests that concerns about equity may not be easily translated into simple formulas that can easily be agreed upon across national and cultural boundaries, even when the parties are in principle united by common purpose. Current DFID advice is that agreed monitoring arrangements need to be kept simple, so that they are easily arrived at and managed.

- Care needs to be taken so that the SWAp does not introduce greater rationality in the allocation of intra-sectoral resources at the expense of a distortion of inter-sectoral priorities.

- The focus on sectors as the primary mode of intervention may cause conflicts with approaches based on the principle that poverty is multi-dimensional and thus non-sectoral. The experiences of Ireland and Finland point to possible tensions between sectoral support and area-based programmes that attempt to address the needs of poor people across sectors. Linked to this is the question of whether sector-wise forms of decentralisation, such as the type mentioned above (district health boards, etc.), can be reconciled with measures designed to vest real authority in democratically controlled local government.

3.3.2.3   *Re-emergence of Area-Based Programmes*

Several donors are currently reporting positive results from area-based rural programmes, some of them encompassing a range of poverty-focused activities. This is interesting in view of the discouraging conclusions that were reached about integrated rural development programmes (IRDPs) and the contraction that took place in this type of activity between the 1970s and the 1990s. The shifts do not need to be exaggerated. The World Bank, Germany, the UK and some other donors withdrew more or less completely from area-based approaches in sub-Saharan Africa in the 1980s. However, others such as the Netherlands, Denmark and Finland never abandoned area-based projects altogether, but limited themselves to avoiding the more ambitious forms of 'integrated' design. Even Germany continued to operate quite successfully with an area approach in some countries, for instance Nepal.

Nevertheless, a renewal of interest in area-based interventions does seem to be detectable, and willingness to cut across 'sectors' seems to be a feature of much of this work. One example would be the Irish-supported Sidama Development Programme in Ethiopia. The programme works at the micro and sectoral level at the same time. There is full freedom to move funds between different sectors and activities, including savings and credit, non-formal education, women's employment and community-based health measures. A new Swedish land-management programme in Tanzania is another instance of the revival of more or less integrated rural programmes with a direct poverty reduction focus. This targets vulnerable groups, including women, in four poor districts. The emphasis is on the sustainable use of natural resources but an important objective is empowerment, interpreted as democratic development at district and village levels.

One reason agencies are willing to return to integrated, or at least multi-sectoral, area programmes is that the political and economic context has changed quite substantially, both within developing countries and internationally, since the early 1980s. It is obviously a different matter operating on an area basis under a multi-party political system, especially where the local authorities have sufficient autonomy to be able to develop distinct political, economic and social agendas. The significant liberalisation of rural markets that has taken place, especially in sub-Saharan Africa, has also removed from the scene much of the top-down institutional framework that contributed to the failure of IRDPs. The pendulum representing the dominant modes of international thinking about development has meanwhile swung several times, resulting in a more propitious climate for returning to at least some of the aspirations of development work in the 1970s.

A factor likely to strengthen this tendency is the growing attraction for some donors of multi-dimensional concepts of poverty (see Chapter 1) and the focus on sustainable livelihoods (Carney, 1998). The latest area-based programmes are considered by their supporters to be effective modes of intervention for poverty reduction because of their ability to address the multi-dimensionality of poverty. The starting point of the sustainable livelihoods approach is that agricultural and natural-resource projects should take into account the diversity of factors by which the incomes and well-being of the poor are affected. It is vital to begin with a good understanding of the social, institutional and policy contexts of poor people's livelihoods, including gender relations. Participatory approaches to information collection are assumed to be the norm. Interventions are approached in a multi-sectoral way. Although some actual 'livelihoods' projects are under way, there is no systematic experience yet on how well these are working compared with other multi-sectoral interventions (Carney, 1999).

A key question about new area-based and livelihoods approaches is whether they can be reconciled with the partnership principles spelled out above. Can government occupy the driver's seat, or even play a substantial role in implementing integrated projects, if local government is weak and the most relevant authorities are organised sectorally? If it cannot, how much does this matter in view of the alternative or additional possibility of building partnerships with communities or in civil society?

It is true that any substantial donor-funded programme operating on an area basis can convene a range of sectoral authorities to ensure cross-sectoral coherence. Several World Bank-supported SIPs (e.g. roads SIPs) also do this. The Social Fund model gets around the problem of weak local government in some countries (e.g. Indonesia) by working directly with non-governmental local authorities (village councils). Many other donor-funded area programmes have done a good job in building capacities in both communities and local authorities, in some cases creating spaces for participatory negotiation in which poor people have also been able to get their voices heard too. But there is a classic problem of scale and sustainability so long as these efforts are limited to donor-supported project areas. If multi-sectoral area programmes are more widely adopted, their relationship with government will need more comprehensive attention to avoid the sort of enclave development that is a negative feature of the old IRDPs.

This raises the question of whether successful reforms to place local government on a secure and democratic basis should be regarded as essential to long-term success in area-based anti-poverty work. Assuming that governmental decentralisation, including devolution of responsibility and funding for basic service delivery, does not exist already, should it be a priority for donor support? This issue involves the broader question of decentralisation and its relevance to poverty reduction.

3.3.2.4   *The Question of Decentralisation*

In the debate on poverty reduction modalities, the issue of decentralisation has been a recurrent theme. From a traditional focus on the higher levels of government, donors have started to redirect their attention to the levels of the province or region and even down to district level. This implies both decentralising project and programme management, and building capacity at the corresponding level. In addition to the examples given already, Norwegian aid has a strong focus on promoting local ownership that involves assistance to

the reform of public administration and institutional development. This recognises that there is a need for institutional frameworks that cut across sectors in order to be able to respond to the wide and interrelated needs of poorer populations. For Japan (JICA) too it seems clear that there should be a training component for the staff at lower administrative levels. Denmark considers capacity-building at decentralised levels to be critical for effective poverty reduction.

Much of this effort currently occurs on a project-counterpart basis, or at best in the form of pilot operations to build capacity for participatory planning in national poverty programmes within selected districts of partner countries. UNDP, for example, has been undertaking such an approach in several countries including China, Ethiopia and Vietnam. There would presumably be gains if this sort of capacity-building were able to take on a national scope (clearly the aim of the UNDP approach). This would need to be done in a way that is well informed on 'what works' at the local level and thus what the central legal and administrative obstacles are to the replication of the best local experiences. This raises the question: can it be done outside the context of a comprehensive reform of local government and its place within the hierarchy of official institutions?

Legal and administrative reforms leading to local-government decentralisation have a long and chequered history. It is not clear under what conditions they have succeeded, in the sense of achieving a real devolution of spending capacity to the lower rungs of the administrative system. A further area of doubt is about the conditions under which decentralised systems function to favour increased access and 'voice' for the poor. While in principle democratic decentralisation brings decision-making closer to the poor, it is not clear that, in unequal and in many cases highly clientelistic societies, this automatically results in poor people gaining increased opportunities and securing new rights. There have been some promising experiences of local democratisation, but also many that appear quite problematic (Crook and Manor, 1998; Booth *et al.*, 1997). In brief, the link between decentralisation of government and more effective poverty reduction is unproven.

Although in this area there is plenty of experience to go on, understanding of the issues is probably not keeping up with the pace of change in donor practice. A partial exception is the World Bank, which has been a long-standing advocate of certain forms of decentralisation and is now an important repository of collective experience in this field (e.g. World Bank, 1997a: Chap. 7). However, agency starting-points on the issue are quite diverse, and the evaluation of relevant experience is no simple matter. There would therefore be important benefits from further efforts to consolidate and systematise the understanding that has been gained of the conditions under which different styles of decentralisation are, and are not, favourable to poverty reduction.

It may be best to regard decentralisation policy as an important problem area within the broader re-examination of the relationship between governance agendas and poverty reduction discussed in Chapter 1. In many countries the link between effective decentralisation and reforms of the public or civil service – a key feature of the governance agenda – is close. Recent experience, for example that of the UK in Zambia, confirms that well-designed programmes for building local government capacity and reorienting area-based planning in a pro-poor direction can go awry if general changes in the civil service and the necessary complementary legislation are not delivered, or not delivered on time (Atkinson *et*

al., 1999: annex 4). The balance sheet of decentralisation considered as an aspect of public service reform obviously needs to be considered in relation to the issues about partnership and influence discussed in Section 3.2.

3.3.3 Operationalising Gender Issues

The degree to which gender issues are mainstreamed at the level of country assistance programmes depends in part on the existence of adequate guidelines and on screening systems to ensure that these are followed. Clear operational guidelines to assist the design of micro-level interventions are sometimes present, and occasionally for meso-level (e.g. sector-wide) approaches, but rarely at the macro level. Box 3.3 provides a good illustration of practical guidelines designed to ensure that gender analysis informs the design of poverty-reduction interventions.

Box 3.3
Integrating Gender Analysis into Poverty Reduction

BMZ (Germany) issues the following guidelines about questions to ask in the design of sustainable poverty reduction programmes:
- What are the characteristics of the division of labour between women and men, and between adults and children/youth?
- Do men and women have equal access to, and control over, necessary resources (land, capital, extension services, training, information)?
- Do women and men have equal influence on decision-making processes?

These guidelines are a clear and useful approach to developing a gendered poverty analysis. However, reported that the conceptual framework is reported to be ahead of programme and project management in all three German agencies (BMZ, GTZ and KfW), so further thought needs to be given to devising mechanisms that ensure that analysis is translated into operational conclusions.

A further mechanism for ensuring the operationalisation of gender issues, at least at the design stage, is screening mechanisms. Some kind of screening system, usually at the project level, exist within many agencies, though its effectiveness depends in part on the expertise available and senior management commitment at the 'sharp end', at the country level (see Table 3.5).

Table 3.5   Existence of Screening Systems for Gender

Yes	*Planned*	*No*
Australia, Austria, Canada, Denmark, Germany, Ireland, Italy, Netherlands, Japan (more planned), New Zealand, UK, UNDP, USA, World Bank	Belgium, Finland	IMF, Norway, Portugal, Spain, Switzerland

Unfortunately, overall the case studies strongly support the conclusion of DAC (1998) that agencies' policy commitments to gender equality tend to 'evaporate' at the stages of country strategy preparation and country programme implementation. Integrating gender analysis into country strategies and programmes is still a problem in many agencies, although it is not always clear why. In the World Bank improved operational guidance on gender has resulted in a greater incorporation of gender issues into poverty assessments, country assistance strategies and project preparation in recent years. Yet it is often still necessary to lobby country directors to ensure that gender is mainstreamed into their operations. In contrast, the Denmark case study suggests that the relatively weak capacity in the field constrains progress in gender mainstreaming in operations (see Box 3.4). One conclusion drawn by Denmark is that disaggregated gender data need to be collected if gender goals are to be incorporated into project planning and administrative processes. The German example illustrates some of the difficulties of putting this into practice.

Box 3.4
Changing Current Practice: the Need for Gender Disaggregated Data

Denmark: Mainstreaming gender effectively often means changing current practices in field operations so that instruments for gender mainstreaming can be developed. Denmark has taken the critical first steps for gender mainstreaming operations, setting up institutional mechanisms to enable feedback from the field to inform future policy actions. Some 10-12 people at the embassies in the programme countries are responsible for gender issues and they report back to the Department for Gender Aspects. It is the responsibility of this Department to disseminate lessons learned on gender questions to other Departments in the agency. However, it does not seem that gender-disaggregated baseline data are being collected on a general basis, in part because the practice of collecting any kind of baseline data is weak. Moreover, a systematic dissemination of lessons learned on gender aspects of development does not appear to take place.

Germany (BMZ): A gender-sensitive analysis of the target group is mandatory in every project appraisal. But scarce time, financial and personnel resources limit analysis in practice. Appraisers usually rely on the available data.

Many agencies report gender-sensitive micro-level programmes and projects as examples of the impact of gender mainstreaming. However, operationalising gender-sensitive development assistance at the macro and meso level is reported to be a particular problem by Austria, Canada and the UK, and the impression is that it is a widespread problem among agencies. Few gender-sensitive economic interventions at these levels of aggregation are reported (although the Swiss (FOFEA) suggest they have some pilot schemes planned with other bilateral donors). UNDP and Australia are also beginning to try to work at this level, and have supported 'women's budgets' in South Africa, for instance. UNDP has also created a small research programme on the gender-differentiated impacts of globalisation. In addition, actions that address gender equality in legal and other institutions are being carried out by a number of agencies (e.g. Luxembourg, UK, UNDP and USA).

3.4   What Works in Poverty Reduction?

Introduction

This Section tries to assess the lessons of experience for agencies on what does and does not work in poverty reduction. It seeks to identify what general principles of method or practice a donor needs to consider in order to design interventions that benefit poor people. Even when supplemented with some useful recent overviews of experience, the Scoping Study provides rather patchy insights into these issues. The impression is that agency staff have views on these subjects but, with the exception of the World Bank, do not have access to systematic evidence on which principles might be based. There is scope to commission more work which attempts to distil the lessons of experience for individual sectors in a systematic fashion. This would improve the knowledge base on which operationally-relevant lessons could be built (see Box 3.5 for a recent example).

With this caveat, there are three topics that seem to be generally regarded as critical: choosing an appropriate level of *targeting*, encouraging *participation* at all stages of the intervention and paying attention to key factors influencing *sustainability*.

3.4.1 Emerging Lessons on Targeting

Section 3.3.1 revealed varying views among agencies on the pros and cons of targeting interventions on poor people. These are reflected in a strong consensus among many donor agencies that greater consideration needs to be given to whether different types of targeting mechanisms are required in order to reach poor groups effectively. Nonetheless, a number of rules of thumb are frequently espoused, although not universally accepted.

Experience suggests that effective targeting requires that both the agency and the recipient government are in favour of targeted approaches. This is sometimes the case, but not always. In the Philippines, World Bank staff note that the government's commitment to economic growth is strong, as is its support for targeted poverty programmes (which include both spatial targeting and 'self-targeting' by offering employment opportunities at local minimum wage levels).

Box 3.5
Rules for Success in Anti-Poverty Schemes

In her on-going study of how to make financial interaction work for the poor, Ana Marr suggests ways of making the design and administration of credit schemes and institutions more effective in reaching the poor:

- allow groups to select their own members and to make internal changes when necessary, as individuals' default risks can vary over time;
- keep records of cases of self-exclusion and drop-outs, as these may offer insights into the adequacy (or inadequacy) of the financial services offered to them;
- carefully assess borrowers' debt capacity;
- undertake frequent and regular evaluations of individuals' debt capacity to avoid over-indebtedness;
- seek alternatives to physical collateral;
- give monetary and non-monetary incentives to staff to explore the real needs of the poor; credit is not the only product they need;
- donors to subsidise administration, not interest rates.

Source: A. Marr (forthcoming)

Examples of cost-effective targeting include geographical targeting of the poorest regions of a country. This method was successfully followed by the US in Peru. Refining government techniques used to promote high-potential economic zones, the agency developed an explicit geographic programme that combined economic potential with poverty incidence.

Other key lessons on the extent and methods of targeting seem to be:

- keep costs of participation (i.e. travel distance, etc.) low, to encourage the involvement of the poor;
- contain costs of administration to improve sustainability;
- in general, self-targeted approaches work well in reducing overall costs while maintaining political support, but effective self-targeting requires information from the poor;
- minimising incentive costs (e.g. self-selection) holds down total costs and reduces distortions;
- targeting geographically can reduce costs when the poor are concentrated in particular regions but fiscal decentralisation schemes need to be implemented carefully to ensure that funding for poverty-focused programmes is not crowded out;
- comparing the benefits and costs of different transfer programmes requires consideration of all costs: administrative, transaction and incentive.

3.4.2 Participation and Poverty Reduction

Participatory processes are seen by almost all the DAC agencies as fundamental to effective poverty-reduction interventions. What exactly this means is not always completely clear, and some statements of principle seem implausible as descriptions of actual agency practice. According to some, all stakeholders should be involved in the identification, planning, implementation and control of an aid intervention. Others stress that participation has to include all levels in the cooperating country.

3.4.2.1 Participation and Process Approaches: Closing the Credibility Gap?

The experience of European donors (Cox *et al.*, 1999) suggests that donors have not always practised what they preach. Only one in six of a sample of 90 poverty-focused interventions operating during the 1990s reveals high levels of participation by the poor. However, a further 50 per cent have some level of participation and recent projects are more participatory than earlier ones, suggesting that the substantial gap between policy and practice may be closing.

The donor case studies provide a range of examples of participatory approaches to interventions. Many of the examples cited tend to involve participatory approaches to project preparation. The Swiss, for example, stress the importance of social assessments to assist in defining poverty objectives in a particular environment. Such assessments should be combined with risk analysis to identify groups that might be negatively affected by the proposed activities. The Ministry of Labour and Solidarity of Portugal applies a similar approach in a project outside Maputo, apparently unique for Portuguese aid. It starts with detailed surveys of the characteristics of poverty which provide information on how to select civil-society projects which it can finance. Participatory planning processes involving poor potential beneficiaries in the identification and design stage are now widely seen as a

necessary condition for effective poverty reduction. Participation needs to be implemented in advance of any infrastructure components rather than simultaneously, so that it is able to influence the design, location, and appropriateness of such physical investments.

More continuous stakeholder involvement in shaping interventions seems to be largely restricted to those which have been set up as process projects. A number of donors favour a process approach to project design, including the Netherlands, the UK and UNDP. According to a Dutch informant:

> The core issue here that it is not clear beforehand what is exactly the objective of a specific activities, nor how much aid is needed or when the activity will come to an end. In such an approach, participation is deemed important as a process approach requires a constant adaptation of policy and implementation practices in a constantly changing environment.

In the context of a process design, the project manager has a positive incentive to facilitate continuous participation by stakeholders, as the main source of the learning needed to improve project performance. In the traditional 'blueprint' project, participation is more likely to be regarded as a ritual or outright nuisance by managers keen to keep implementation on course.

UNDP has undertaken an approach it terms 'social mobilisation', based on the idea that whilst poor people may be relatively powerless as individuals they gain greater influence once they are mobilised together as communities. The assumption is that once mobilised, people can themselves choose the direction in which they wish to move, and address the sources of their poverty. This approach has been used, for example, in area-based programmes in Sudan, where to ensure community participation during the planning phase, a number of new local institutions have been established in order to identify local needs. It has also been used, more recently, in the pilot South Asian Poverty Alleviation Programme (SAPAP).

Another example of a participatory approach within a process design is the Indo-German Watershed Development Programme in Maharashtra. This is based on a partnership between the state, local government, banks and civil society. It is considered successful by all the parties involved, in large measure because it is based on the extensive involvement of the poor in planning and implementation. It is also based on the co-operation of all the important actors, which contributes to the creation of a conducive institutional framework, for example making it possible to transfer usufruct rights to the local communities, and allowing for innovative financing mechanisms. The UK-supported Karnataka Watershed Development Project in India is a comparably innovative programme in terms of community participation and addressing the needs of the poorest.

3.4.2.2   Gender Dimensions of Participation

Some donor respondents (a small minority of those emphasising participation) place particular stress on processes which focus on women and the dialogue and partnership between men and women. Focusing on relations *between* men and women is thought to be useful even where the principal target group is female. This addresses the fact that the constraints facing women are often linked to the nature of social relations within the household, and more widely to the social construction of gender (see Section 1.3). For example, the UK/CARE urban self-help project in Zambia, PUSH, found that basic gender training for men and women participants produces important synergy with other project

components, with spin-offs for wider social change, such as the creation of new barriers against the appropriation of widows' property (Atkinson *et al*., 1999: Annex 6). Elsewhere it is reported that involvement of women creates a stronger sense of ownership and participation than otherwise occurs.

However, once again the more systematic findings of the European donors' study are discouraging. Cox *et al.,* (1999) found that sensitivity to gender in the design of projects is limited to only one in five in their sample of 90 poverty reduction projects. But again the newer interventions have taken more account of this aspect.

3.4.2.3 *Participatory Pros – and Cons*

The empirical evidence is sufficiently strong to suggest that agencies should, as a matter of course, consider the scope and need to adopt participatory approaches at each stage of the project or programme cycle, and in its dialogue in general. Promoting greater participation is often seen by the poor as a good in itself, even if a project fails according to conventional criteria, such as directly increasing livelihood security. Less tangible benefits are often highly valued by poor groups, such as bolstering their sense of their rights; their capacity to analyse and articulate their own needs and possible solutions; and their confidence and ability to participate in local political processes (e.g. Denmark in Tanzania; GTZ in Burkina Faso). Participation by local implementers tends to result in a greater feeling of ownership and helps generate demand for new services (World Bank, OED).

Some concerns have been voiced by officials, however, notably that the opportunity costs to the poor of time forgone by participating are often not valued by agencies or governments. One senior UK manager who was of the opinion that the agencies had concentrated excessively on increasing the participatory component of agency-supported interventions, but had given insufficient attention to the main priority: encouraging *governments* to be more participatory in their own approaches. Others point out that participation by the poor must not be seen as a panacea, and that it is not enough to ask the poor to develop solutions. They may not be in possession of all the necessary information and, to take an extreme example, would be unlikely to be able to feed directly into discussion on which trade regimes will maximise benefits for poor people.

3.4.3 Factors in Sustainability

Lack of sustainability has been an ongoing concern of the DAC donors, and it shows few signs of disappearing as an issue. The importance of focusing more on sustainability and on replicating successful approaches has also been underlined in the Partner Country Perspectives Survey. Cox *et al* (1999) report that the likely sustainability of the 90 European interventions investigated was limited, but that there are many examples of projects becoming more institutionally sustainable in the more recent phases. The agencies are increasingly aware of creating unsustainable parallel structures and are beginning to favour a longer-term perspective based on building capacity within existing governmental and other bodies.

Reports from the Scoping Study are consistent with this general sense that performance may be improving, and also in reflecting the belief of some donors that the key lies in the

timescale of their own commitment. Here, as in respect to basic approaches to partnership, there tends to be divergence on whether to opt for a longer-term relationship with national governments or to go local, with either governmental or community institutions as partners.

Giving greater support to locally-initiated and locally-owned projects and programmes is widely advocated (e.g. by the EC, the Netherlands and UK, and by the World Bank in the District Primary Education Programme in India). According to some, decentralisation of project management to local authorities creates ownership and better prospects for sustainability. An example is the World Bank - promoted Kacamatan Development Project in Indonesia. Its objective is to improve service delivery to the poor by decentralising the identification, design and implementation of infrastructure and social-service activities. By transferring block grants to local districts and insisting on council representation from elders, other community representatives and women, the organisers hope that decision-making and resource allocation will be taken into the hands of local constituents.

Five further rules of thumb, culled from agency responses and other sources, appear suggestive:

- To improve the sustainability prospects of poverty-focused projects, agencies may need to focus more on the livelihoods of the poor and not just on their access to social services.

- Regularisation of land-use titles both in agriculture and in housing projects encourages beneficiaries' involvement and commitment to development efforts. Families with clear land titles are highly conscious of the need to maintain project works and motivated to conserve land and investment (World Bank, OED).

- Sustainability can be enhanced by innovative financial measures that promote self-financing by beneficiaries. In urban development for low-income groups the most successful schemes incorporate self-financing or cost-recovery provisions (*ibid.*).

- Without denying the last point, in the poorest countries it may be necessary to distinguish institutional and financial sustainability. In many contexts, where the priority is to move towards *institutional* sustainability, it may be realistic to admit that full financial sustainability is an impossibility in the short to medium term. There are many examples of agencies extending projects and programmes into their third or even fourth phases. Had these agencies thought in terms of a long-term partnership with government and made a correspondingly longer financial commitment, it is likely that the interventions would have been designed more effectively from an institutional point of view, generating more benefits for the poor.

- Support for innovative approaches to poverty reduction for potential replication or scaling-up is desirable, but it is necessary to ensure (more than up to now) that the initial pilot design is likely to be appropriate to local financial and management conditions.

These points are neither exhaustive nor, in all cases, especially new. However, they indicate the range of current donor thinking on one of the key areas of poverty-reduction practice.

3.4.4 Partner Country Perspectives on Donor Agencies' Poverty Reduction Interventions and their Success

With the exception of Vietnam, where donor actions for poverty reduction are seen as having a favourable impact, respondents in the other four country case studies respondents are extremely pessimistic about the impact of donor poverty-reduction initiatives. They identify the reasons for their failure as being:

- the ad hoc approach of donors and the lack of an integrated vision of poverty;
- the failure to identify 'real' needs;
- the failure to build local capacity effectively. As a result, any isolated achievements were unlikely to be sustainable and impossible to replicate.

By contrast, in Vietnam where respondents see donor activities as having a good deal of impact on poverty reduction, reasons for their success are linked to:

- a focus on capacity-building;
- good contextual data gathered at field level in order to help the planning process; and
- good project management, including the use of participatory methods throughout the project cycle.

3.5 Conclusions: Key Areas for Improvement

3.5.1 CAS, Monitoring, Accountability and the Identification of the Poor

For the majority of agencies the country strategy and country programming instrument has not yet been fully exploited to give a greater poverty orientation to their global portfolio. For most agencies there is no specific requirement to define or include poverty objectives explicitly, or to set out expected poverty-based results in their country strategies and programmes. The process remains largely at the discretion of programme managers. However, in a substantial minority of agencies there are requirements for senior approval of the incorporation of poverty orientation. It is important also to recognise that CAS may 'look' poverty-focused, yet interventions on the ground may be far less so. Links between CAS and actual interventions need much closer analysis.

For a few donors there has been extensive participation of the partner government in the formation of their country strategy (whether poverty-focused or not), and for others there has been some participation. Although the participation of local civil society in this process is rare, there are signs of change. A few agencies have moved, or are moving, in a more promising direction especially Denmark, Germany, Sweden, the World Bank, and more recently the EC (DG VIII) and the UK. This is encouraging, though coordination is required if this is not to become excessively burdensome to government partners.

Most agencies lack established systems and practices in monitoring and accounting for the performance of country managers in implementing the intentions of their strategies and programmes. Donors have shown a lack of interest in finding out the effect they have at

country level in terms of poverty reduction. This is a critical area in terms of increasing the incentives for officials to engage in the complex task of poverty reduction. Within some agencies there are some positive changes afoot.

Systematic procedures and guidelines for the collection and analysis of poverty data to feed into the preparation of country operations are lacking in most agencies. Their data base is often limited and secondary. Most agencies are in a weak position to collect the data and undertake poverty analysis. This need not be a serious impediment to developing CAS rooted in a thorough understanding of the nature and causes of poverty providing that agencies share poverty data and require country programme managers to take poverty assessment data into account. Relatedly, although poverty data are increasingly being referred to, it is far less clear that it is fundamentally shaping the approach of CAS. Too often strategies provide *ex-post* rationalisations of what has always been done rather than reappraising priorities in the light of a systematic appraisal of the needs of the poor and the causes of their poverty. In the medium term, donor efforts should concentrate on strengthening government capacity to carry out poverty assessments, drawing also upon in-country research institutions, rather than seeking to improve donor practices.

Generally, donors do not seem to have clearly and precisely identified the poor within their partner countries and have done little or no real analysis of target groups and poverty processes in the preparation and implementation of their country programmes. This is important where the donor country strategy seeks to focus interventions directly or indirectly on assisting the poor. However, not all agencies believe in the need for this degree of focus. Some do have some general proxy rules for identifying the poor.

3.5.1.1   *Key areas for improvement are therefore the following:*

1. There is a need for stronger and more explicit guidance and procedures to achieve a greater focus on poverty reduction in the country strategies and programmes. Systems for monitoring outcomes need to be developed in order to improve accountability and staff motivation.

2. In the preparation of CAS there is need for attention to the following aspects:

    a) Access to available poverty analysis and information, to enable conclusions to be drawn on where to focus attention. Funds for individual agencies to undertake further study, most usefully through consortia involving partners in capacity building. Encouragement for better economic and social studies by local researchers on poverty linkages within partner countries.

    b) Greater attention to coordination among donors in primary and secondary data collection and interpretation, where there are considerable economies of scale.

    c) Guidance on how a country strategy should be tailored to the poverty situation and prospects in each country. There need to be criteria for deciding on the balance between the broad purposes of donor actions – e.g. growth promotion, creation of a more pro-poor policy environment – and those which support direct and precisely targeted types of intervention, as well as more inclusive actions.

    d) More direction and guidance on participatory and dialogue processes on poverty reduction issues at national and meso level. There is a case for setting out where the focus

of dialogue ought to be, the issues which should be the focus of dialogue and the role for capacity-building for poverty information.

3.5.2 Partnerships for Poverty Reduction, Coordination and Dialogue

Different donor agencies continue to go down different pathways in their pursuit of more satisfactory in-country partnerships as the basis for poverty reduction efforts. All, to some degree, seek to establish relationships in the non-governmental sector, with civil-society or community-based organisations. This emerges as one of two basic responses to unsatisfactory relations with government in the past. The other, being pursued by a rapidly growing group, places more of the onus for past failures on the donor side. This emphasises the limitations to conditionality, the importance of moving towards influence strategies based on common purpose, and the value of flexible forms of funding that help to strengthen government policy processes and planning capabilities.

Improved government-to-government partnerships as a basis for in-country operations designed to reduce poverty face several quite daunting challenges. The evidence is that the agencies most committed to this approach are broadly aware of these difficulties and have begun work to address them. In the coming years, donors will be expected to have fair and transparent criteria for distinguishing between governments (or parts of government) that are suitable partners and those that are not. They will need to restrain themselves and use their influence to restrain others, including the multilateral agencies, from forcing the pace – that is, proceeding without regard to recipients' willingness and ability to take the lead. If these kinds of partnership concepts are to contribute to poverty reduction, major innovations will be needed to monitor and engage in dialogue on the downstream effects of improved systems. Potentially conflicting modalities will need to be reconciled. Last but not least, donors need to be asking themselves whether they have the right skills for negotiating the challenging processes of organisational development that recent approaches to partnership imply.

Agency approaches to aid coordination and dialogue in-country are influenced by their perceptions of the proper role of government, but most of the available mechanisms remain donor-driven and donor-dominated. The fora for discussion of strategic issues are very varied, and the ability of larger and smaller donors to participate in them follows no single pattern. The evidence is that, with the probable exception of Consultative Groups, few donors have given great prominence to poverty reduction until recently. The World Bank and UNDP have maintained leading roles in this area in different ways. Important innovations have been made by some bilateral agencies in initiating a broad dialogue within the national society on poverty reduction issues, and this is something that we should expect to see more of in the future.

3.5.2.1 *Key areas for improvement are therefore:*

1. Harder and fuller thinking about the implications for donor attitudes and behaviour of moving towards deeper forms of partnership with developing country governments. Partnership principles imply having clear, consistent and transparent criteria on which to base selectivity. Partnership practice would benefit from guidelines, possibly in the form of quite simple rules ('dos and don'ts'), that remind country programme managers of the

basic philosophy and major pitfalls: keep out of the driver's seat, and make sure others do so too, etc.

2. A sustained effort to place poverty concepts and poverty reduction concerns at the centre of existing mechanisms of coordination and dialogue.

3. Follow-up of initiatives that point the way forward in engaging a wider range of institutions and representatives of the national society in debate about poverty reduction targets and obstacles to their achievement.

3.5.3 Country Programmes: Priorities, Projects, Sectors and Areas

There are no common criteria to assess even the broad poverty orientation of donor country programmes. A few agencies do have marker systems that provide an entry point for assessing poverty focus, while for others the extent to which interventions are shown to have linkages with poverty reduction provides an alternative criterion.

CAS, however, reveal little explicit prioritisation of poverty reduction relative to other development and non-development (e.g. commercial) objectives. The portfolio of interventions is generally justified (usually implicitly) on the basis of past experience, perceived comparative advantage and dialogue (generally without a poverty focus) with partner governments. Few attempts are made to assess the poverty-reducing 'bang per buck' of different sectors. There are nonetheless individual examples of agencies providing clear, poverty-based justifications for their choice of interventions.

Development agencies have widely varying views on the value of seeking to target poor people specifically. The World Bank's policy is to target the poor directly in countries where poverty is concentrated and sufficient government administrative capacity exists, though the policy is not systematically applied in practice. Some donors, notably the Nordic countries, reject targeting in principle as undermining the political acceptability and sustainability of interventions, or because they consider it unnecessary in very low-income countries where 'all population groups are poor'. Others have no clear policy but implement targeting on an *ad hoc* basis.

The project mode has been the preferred instrument in the pursuit of poverty reduction objectives for small donors and most larger donors. Recognised weaknesses of the project approach lie in the donor's temptation to retain a 'hands-on' management style, the difficulty of relating satisfactorily to the wider institutional context and policy environment, and the resulting problems of sustainability.

Recently, some donors have begun seeking a shift to sectoral investment programmes or sector-wide approaches, between which it is important to distinguish. To date, there have been few examples of SWAPs to poverty reduction, and experience and guidance on how to make them work are in there infancy. Problems that need to be highlighted and thought about more seriously are a special case of the partnership issues identified in Section 3.2. They include:

▪ the strain on national governments' capacities of developing the necessary vision and systems for SWAps;

- the need for a disciplined and self-effacing approach on the donor side;
- deliberate attention within the agreed framework to monitoring and engaging in dialogue about the performance of the sector in improving access and enhancing impacts for poor people.

These are all substantial issues on which not much systematic thinking has taken place so far.

The continued success of area-based projects and programmes, and the apparent return to more 'integrated' or multi-sectoral designs, is worthy of note. This tendency may be explained by the fundamental changes that have taken place in the political and economic contexts of developing countries and world-wide since a line was drawn under the experience of Integrated Rural Development Projects more than a decade ago. It is likely to be strengthened by the influence of thinking about the multi-dimensionality of poverty and 'livelihoods' approaches. Despite the change in context, the relationship with local government needs attention if the new area projects are to avoid the enclave development that was among the negative features associated with the old IRDPs.

There is widespread recognition by donors that poverty reduction is assisted by decentralising programme management, and associated capacity-building, to the lower levels of government. Some successes are reported in institutionalising more responsive, participatory planning in a local government framework. In many countries, giving these efforts national scope, without forgetting 'what works' at the local level, would call for legal and administrative reforms to decentralise resources and authority. However, experience with such reforms has been very mixed. A balance sheet urgently needs to be drawn up on the precise conditions under which decentralisation may be expected to assist poverty reduction.

3.5.3.1 Key areas for improvement are therefore:

1. Stronger signals to country managers on the priority to be accorded to poverty reduction among the goals of country programmes. In that framework, better guidelines might be provided on the possible rationales for different combinations of direct, indirect and enabling measures to assist poor people, and the role, if any, for targeting.

2. Efforts to digest and disseminate rapidly the results of experience with two forms of support to poverty reduction, either of which may be considered suitable means of translating these kinds of partnership concepts into practice: sector-wide approaches (SWAps) and multi-sectoral area projects or programmes.

3. On SWAps, further clarity and guidance are especially needed on:

   a) donor-side obstacles (keeping out of the driver's seat; harmonisation of procedures and accountability);

   b) monitoring of sectoral outputs and access to them by poor and excluded groups (in view of the natural tendency to emphasise better management systems and building up trust.

4. On multi-dimensional area projects, particular attention to the interface with district and other local authorities. Experiences of top-down changes in the structure of the state, such as local democratisation and decentralisation, could be usefully distilled, along with

models of successful bottom-up transformations, as a guide to programme managers considering the implications of new area-based programmes.

3.5.4 Targeting the Poor, Participation and Sustainability

There are varying views on the pros and cons of targeting the poor, but also a general recognition that this area deserves closer consideration. Some evidence points to directly targeted interventions having greater impact on the poor, though this may partly reflect insufficient efforts to assess the benefit incidence of indirect approaches.

Universal provision may help ensure political support and sustainability of support for basic social sector provision, such as primary health and education, but complementary targeting mechanisms are still likely to be necessary to prevent the marginalisation of the poor. Targeting mechanisms may be particularly important in the productive sectors, where interventions may otherwise exacerbate the concentration of assets and associated benefit flows in the hands of the better-off.

Participation, referring to systematic stakeholder involvement, is still more widely preached than practised. It now has a recognised, even required, place in project design. Benefits are clear and demonstrable, but most particularly in the framework of process projects where stakeholders are in a position to influence the shape of the intervention and project managers have an interest in making it a more than nominal dimension of the operation. Gender relations figure centrally in a small but probably growing proportion of direct anti-poverty interventions. On the other hand, participation is not a panacea, it has significant opportunity costs for poor people, and poor people themselves do not necessarily have all the knowledge needed to devise solutions to their poverty.

The broad perspective on sustainability that donors seem to share is that it can be improved on the basis of a longer-term commitment to the relevant national, regional or local partner. This may be supplemented with a number of useful insights from World Bank sources into factors that encourage commitment from primary stakeholders and lead them to defend collective investments. In the poorest countries, however, it may be necessary to distinguish between institutional and financial sustainability, and adopt a more realistic policy towards the latter.

3.5.4.1 *Key areas for improvement are therefore:*

1. More attention to assessing the benefit incidence of indirect or broadly targeted interventions, to provide a firmer basis for judgements about the need for narrow targeting.

2. Closing the gap between practice and theory on participation, moderating this with awareness that participation is most beneficial within a process design, and is never a free good.

3. Improved dissemination to bilateral agency staff of the findings of World Bank, including commissioned evaluations and other systematic studies relating to the third key design and implementation problem identified by the donor representatives – sustainability.

Appendix: Countries and Development Cooperation Agencies

Australia   Australian Agency for International Development (**AusAID**)

Austria   Department of Development Cooperation (**DDC**) in the Ministry of Foreign Affairs

Belgium   Belgian Agency for Development Cooperation (**BADC**)

Canada   Canadian International Development Agency (**CIDA**)

Denmark   Danish International Development Agency (**DANIDA**)

European Commission   **DG IA** (Directorate General for External Relations, since October 1999) for policies and programmes with Central and Eastern Europe and the New independent states; **DG IB** (also now Directorate General for External Relations) for Asia, Latin America and the Mediterranean countries; **DG VIII** (now Directorate General for Development) for ACP countries.

Finland   Department for International Development Cooperation of the Ministry for Foreign Affairs of Finland (**DIDC/MFAF**). **Finnida** is sometimes used as a brand name of the Finnish aid administration in international connections.

France   Co-operation Department of the Ministry of External Affairs (*note*: on January 1, 1999 the Department was officially merged with the Department of Cultural, Scientific and Technical Relations inside the Ministry of Foreign Affairs and Co-operation); and Agence Française de Cooperation (**AfC**).

Germany   Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (**BMZ**) – Federal Ministry of Economic Cooperation. Deutsch Gesellschaft für Technische Zusammenarbeit (**GTZ**) – German Agency for Technical Cooperation. Kreditanstalt für Wiederaufbau (**KfW**) – Bank of Reconstruction.

Ireland   **Irish Aid** in the Ministry of Foreign Affairs.

Italy   General Directorate for Development Co-operation (**DGCS**) in the Ministry of Foreign Affairs (**MFA**).

Japan   Japan International Co-operation Agency (**JICA**). Overseas Economic Co-operation Fund (**OECF**). Ministry of Foreign Affairs (**MOFA**).

Luxembourg   Ministry of Foreign Affairs, External Trade and Co-operation *(Ministère des Affaires Etrangères, du Commerce et de la Coopération, MAE)*. The aid programme is administered and managed mainly by the independent Co-operation Department (**Service de la Coopération**). The executing agency is **Lux-Development**.

Netherlands   Directoraat Generaal Internationale Samenwerking (**DGIS**) in the Ministry of Foreign Affairs

New Zealand   New Zealand's Official Development Assistance **(NZODA)** agency

Norway   Norwegian Agency for Development Cooperation **(NORAD)**

Portugal   Institute of Portuguese Co-operation **(ICP)** – formed in 1994 by merging the Institute of Economic Cooperation **(ICE)** and the General Directorate of Cooperation **(DGC)**

Spain   Agencia Española de Cooperación Internacional **(AECI)** – Spanish Agency for International Co-operation. AECI is a dependent agency of the *Secretaria de Estado para la Cooperación Internacional y para Iberoamérica*/**SECIPI** (State Secretariat for International Co-operation and for Ibero-America) within the Foreign Ministry.

Sweden   Swedish International Development Co-operation Agency **(Sida)**

Switzerland   Swiss Agency for Development and Co-operation **(SDC)** in the Federal Department of Foreign Affairs and the Swiss Federal Office for Foreign Economic Affairs **(FOFEA)** in the Federal Department of Public Economy.

UK   Department for International Development **(DFID)**

USA   The United States Agency for International Development **(USAID)**

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